

Happiness Grows from Trees



SUMITOMO FORESTRY

FOR SUSTAINABLE DEVELOPMENT GOALS

Sumitomo Forestry Group
CSR Report 2018



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Boundary of the Report and Publication Date

Boundary of the Report:

Although this report focuses mainly on Sumitomo Forestry Co., Ltd., the Company considers it important to cover the activities of the entire Sumitomo Forestry Group, and hence has been expanding its reporting scope.

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(The period also includes some activities from April 2018 as well as future expectations.)

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Message from the President

Utilizing timber as “the gift of time”
to realize Timberized Eco City
through W350 plan for
a sustainable future

Akira Ichikawa

President and
Representative
Director



Corporate Philosophy

The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resources to provide diverse range of lifestyle-related services that contributes to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

A Step Towards Future with Renewed Corporate Philosophy

In April this year, the Sumitomo Forestry Group has reviewed its value structure which was established in 2001 and revised part of its Corporate Philosophy and Action Guidelines. In comparison to when our main businesses were in timber & building materials, custom-built housing, and forestry, business areas and countries we operate in have expanded and the number of employees and net sales have nearly doubled. We have entered housing markets in the U.S. and Australia while in Japan also entered new areas of businesses, such as private-pay elderly care facilities with nursing and day service as well as wood biomass power generation business. Concurrently, social and economic environment in Japan and overseas has changed drastically and we have reached an age where a company's raison d'être are put to question.

In response to these changes, we revised our corporate philosophy from future-oriented and global perspectives, taking in new elements while also maintaining our core values. The Sumitomo's Business Spirit underlies our business approach, represented by one aspect, "seeking benefits for the individual, the nation and society as a whole."

The Sustainable Development Goals (SDGs) set by the United Nations in September 2015 are 17 global goals that the world should achieve by 2030. In addition to the nations' efforts, companies are expected to contribute as well and these goals matches the aim of our Group's corporate philosophy. The Sumitomo Forestry Group will cooperate with various stakeholders to contribute in achieving the SDGs targets.

Our Responsibilities of Handling "the Gift of Time"

"Sustainability" became a frequently used term as represented in the SDGs. I believe this is a reflection of our regrets of focusing too much on short-term gains which resulted in negatively affecting various social and environmental aspects. That is why we are taking more long-term perspective, recognizing the value in taking proper time.

For example, while new timber has its own beauty, ten years later, there will be different kind of charm to it. With the knowledge in characteristics of the wood and with proper maintenance, a different

charm will appear as it ages and become a precious asset. Sumitomo Forestry calls a value that can be passed down over generations as "the gift of time."

Trees take long time to grow but it can be cut, used, planted, and grown again as a renewable natural resource. It also absorbs CO₂ and fixes it during their growth, playing an important role in mitigating global warming. We believe it is our duty and responsibility to engage in sustainable forest management, procurement, and logistics to seek the expansion of use of wood from housing to medium to large-size buildings so more people can feel the value of wood.

W350 Plan to Pursue Possibilities of Wood

Sumitomo Forestry has announced its W350 Plan in February 2018 as a technology roadmap to realize Timberized Eco City. This is a long-term project that aims to build a 350-meter-tall wooden high-rise building in 2041, which will mark the 350th anniversary of our foundation. We will engage in research and development in wide range of fields including construction methods, environmentally-friendly technologies, and new wood materials.

We hope to bring innovation in both the forest management and use of wood to make living in cities and the lives of people sustainable ones. With this in mind, we will continue to advance the W350 Plan to create Timberized Eco Cities where people, trees, life and the plant can coexist.

We have set for the first time a long-term target for 2030 to reduce greenhouse gases. Our target of 21% reduction compared to fiscal 2017 by 2030 is recognized by the Science Based Targets (SBT) initiative and consistent with the Paris Agreement of keeping global temperature increase below 2 degrees Celsius compared to pre-industrial level.

The CSR Report 2018 is published as a measure to communicate with all of our various stakeholders, from shareholders, customers and business partners to employees and local communities, by focusing on our non-financial initiatives. We have also published an integrated report that includes information for both our efforts toward ESG and our corporate performance since the previous year. We hope you will make use of both reports to better understand the future of the Group we envision and how we strive to reach that goal.

HIGHLIGHT 1

Adapting to Climate Change

Increasing
Environmentally - friendly Houses

As the Sumitomo Forestry Group engages in the sales of housings, one of the areas which we can contribute the most in reducing environmental impact is the reduction of greenhouse gases emissions from housings that people live in.

We aim to standardize Net Zero Energy House (ZEH) which enables household's consumption of primary energy to be net zero or less, and contributes to mitigating climate change. To achieve this, we are strengthening our efforts through business activities by setting a standardization target of 80% by fiscal 2020.

Contribute in economic benefits and
raising environmental awarenessInitiatives in Oita Branch,
Which has the Most ZEH Orders

The Sumitomo Forestry Group is promoting the diffusion and sales of ZEH and 33% of housing orders in Japan were ZEH in FY 2017. In particular, Oita Branch had an extremely high rate of 84.7%. Oita Branch thoroughly explains the characteristics and merits of the ZEH to the customer during proposal. One of the characteristics of Sumitomo Forestry's ZEH is two power generation systems using solar panels and fuel cell units (Ene-Farm) for households. The largest benefit is that the use of both electricity and gas allows reduction of heating and lighting costs compared to all-electric house. Another strength is design capabilities cultivated through custom-built housings and insulation efficiency from the use of wood.

These benefits are based on first-hand and objective external feedbacks and can provide the customers better understanding. Specifically, we visit a house which a customer actually lives in our on-site tour and the resident explains how their annual heating and lighting costs are saved. We also hold lectures by financial planners to explain more about the result of saving heating and lighting costs from the aspect of family finance.

We received feedback from customers who built ZEH, in addition to enjoying the energy-saving benefits, children are enjoying power saving like a game as amount of power generated by the solar panels and power usage are visible on the indoor monitor. As shown in this feedback, the standardization of ZEH began from a pursuit of greater economic benefits through energy-saving but is also contributing in raising environmental awareness of the customers.



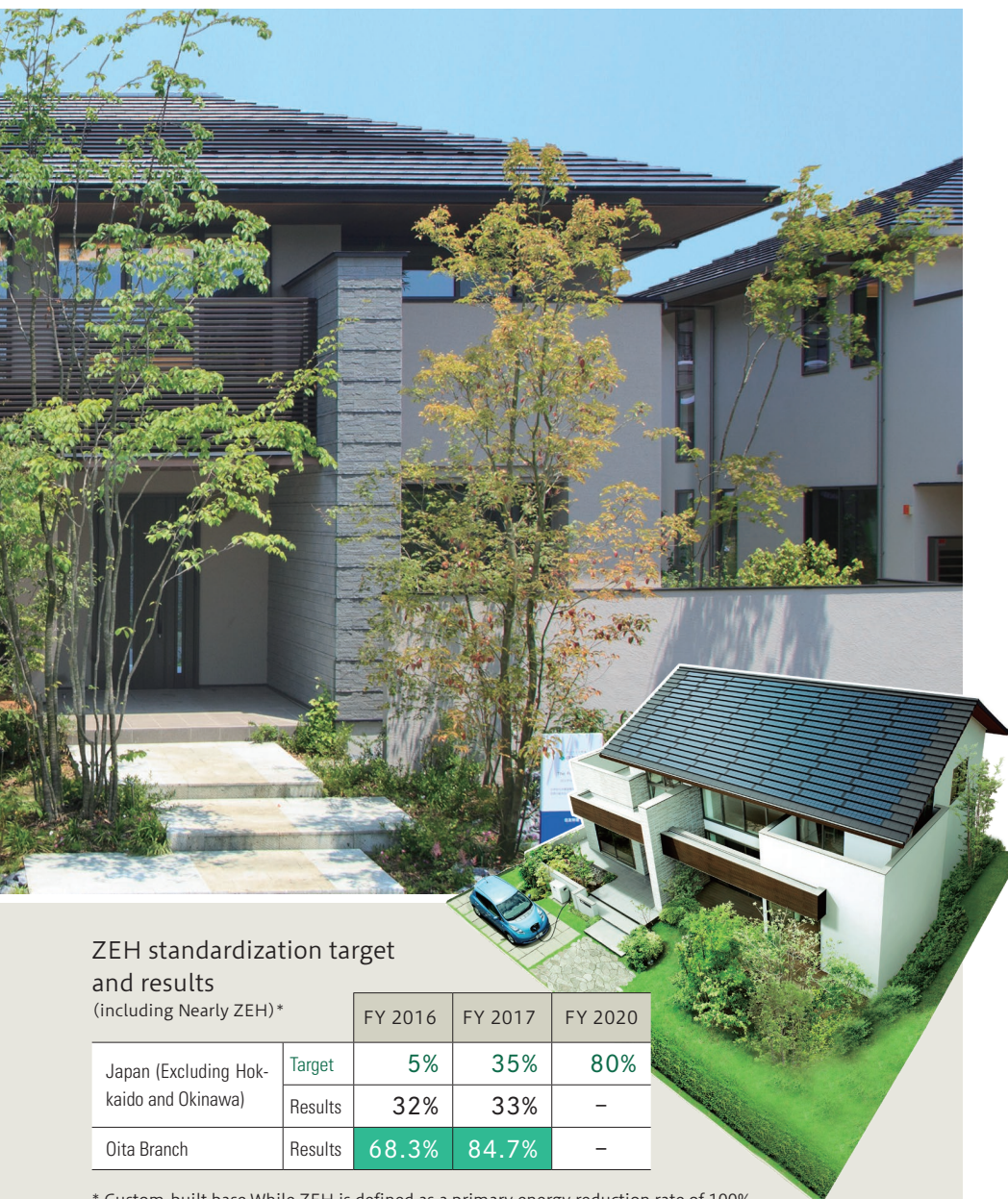
Example: SDG targets 7.3

By 2030, double the global rate of improvement in energy efficiency.

Sumitomo Forestry's contribution in
achieving the goal

- Promotion and sales of ZEH
- Research and development of Life Cycle Carbon Minus* housing
- Development of housing that are safe and resistant to fires, earthquakes, and other disasters

* Concept of having a negative CO₂ emission balance in a house's entire lifecycle from procurement of raw materials, construction, living, renovation, demolition, to disposal.



ZEH standardization target and results

(including Nearly ZEH)*

		FY 2016	FY 2017	FY 2020
Japan (Excluding Hokkaido and Okinawa)	Target	5%	35%	80%
	Results	32%	33%	—
Oita Branch	Results	68.3%	84.7%	—

* Custom-built base While ZEH is defined as a primary energy reduction rate of 100% including solar power, Nearly ZEH is defined as between 75% to 100%.

Reforming Awareness and Making Proposals with Determination

I have been working on raising the sales of ZEH since I was assigned to this branch as way to differentiate from competitors and as a measure against global warming. As a result of promoting to make proposals to all the customers, we were able to achieve an incredible result of 84.7% by the third year.

I focused mainly on changing the awareness of the sales staff. I made persistent small steps such as holding workshops and quizzes that are unique to the branch for the staff to accumulate knowledge and raise their persuasiveness. The largest contribution to our success was that sales staff come to share my thinking of not just competing by price but highlighting added values of reducing fixed costs in living such as electricity and other energy costs and environmental contribution to the customers.

As customers are becoming more aware about ZEH, I hope to promote them even further.



Kentaro Mori

Former General Manager of the Oita Branch (Currently the General Manager of Nishi-Kyushu Branch) Housing and Construction Division

PICK UP

Energy-saving Housing for Overseas Activities by Henley Properties in Australia

The Sumitomo Forestry Group is engaged in sales of highly energy-saving housing in overseas as well. For example, in April 2010, Henley Properties (QLD) Pty Ltd. a Group company became the first company in Australia to make available a zero-emissions demonstration house that is expected to achieve energy-saving benefits of more than 70% compared to existing homes of a similar size.

Furthermore, airtightness and insulation are being improved to increase the energy-saving performance. In 2018, Henley Properties became the first builder in Victoria, Australia to implement multiple layer glass as a standard specification.

The Sumitomo Forestry Group will continue to consider the regional characteristics and needs around the world to develop housing with high environmental performance and its standardization.



Establishment and Certification of Science Based Targets

The Sumitomo Forestry Group engages in activities to reduce greenhouse gas emission throughout the Group and promote the standardization of environmentally-friendly housing. In July 2018, our long-term target to reduce greenhouse gas emissions by 21% compared to 2017 by 2030 received certification from Science Based Targets initiative (SBTi).



HIGHLIGHT 2

Promoting MOCCA
(Timber Solutions) BusinessUtilizing Wood to
Change the Future

The warmth, comfort, and touch of the wood are being reappraised. In particular, the relaxing effect of its aroma and stimulation of the brain through touch are under experimental study backed by scientific research. There is also an aspect of wood contributing to the development of communities as people gather and communicate in places with trees and greenery.

The Sumitomo Forestry Group prevails the beauty, new values and possibilities of wood to the society through the MOCCA (Timber Solutions) Business which promotes building wooden structures and using wooden materials. This duty and role can only be taken by us, a company that has been centered on wood and timber since its foundation.



Example: SDG targets 9.4

By 2030 upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, all countries taking action in accordance with their respective capabilities.

Sumitomo Forestry's contribution in
achieving the goal

- Promoting MOCCA (Timber Solutions) Business
- Technology development for the MOCCA (Timber Solutions) Business
- Creating and communicating new benefits and values of wood



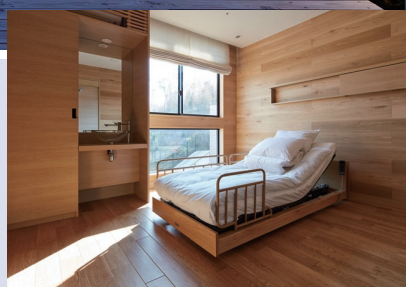
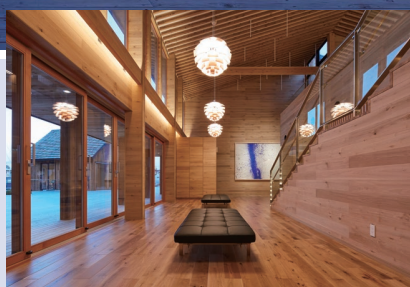
Rehabilitation therapy x MOCCA = New possibility of wood

Completion of Senri Rehabilitation
Hospital Annex Building

The Sumitomo Forestry Group is promoting wooden structures and interiors in commercial buildings, offices, schools, facilities for child care, elderly care, and other purposes. We are broadly proposing new values and possibilities of wood by introducing wood for structures that are conventionally not being built with timber. As a new challenge, we have completed a rehabilitation facility incorporating MOCCA for the new annex building for Senri Rehabilitation Hospital in Osaka in September 2017. The Hospital is Japan's first to have a concept of rehabilitation resort.

In order to support those patients who experienced deep trauma through sudden illness and to regain their positive attitude and physical abilities, the hospital offers rehabilitation facilities that are close to real daily life environment. The ultimate goal is to return and live in their own home. To achieve this concept, it chose a design with uneven levels and stairs instead of making the facility completely accessible. In addition, painting and music ward and gardening ward are available separately for patients to find their new joy in life and possibility. Accessing to these wards are part of rehabilitation.

Wood offer comfort through all five senses, from its aroma, texture, and sound echoes in the air. The qualities of wood contribute not only to physical treatment but also physiological treatment during the stay. This integration of wood and medical sites is a great example of the new possibility of MOCCA (Timber Solutions) Business.



A Project that Embodies "Happiness Grows from Trees"

There certainly were struggles in bringing the benefits of wood while complying with the laws and building standards for medical facilities. Despite these challenges, we strived to create a space that patients can focus on their recovery being comfortable within a relaxing environment as the owner's wish was to avoid an environment that is lifeless, white, cold, and prioritized efficiency.

After six months since the opening, a community was built around painting and music ward and we received praise from patients and families. There are patients who wish to visit this facility even after leaving the hospital.

Being part of the project that can offer new joy in life to patients depressed by their sudden illness makes me proud. This project was very meaningful and it really brought out our brand message of "Happiness Grows from Trees."



Shun Deguchi

Supervisor, Sales Group, MOCCA
(Timber Solutions) Department
Housing and Construction Division

PICK UP

Timberized Eco City, Changing Cities into Forests Launch of the W350 Plan

In February 2018, Sumitomo Forestry has created and announced a research and technological development concept "W350 Plan" aiming to build a 350-meter-tall wooden high-rise building by 2041, which will mark the 350th year since foundation of business.

Managed mainly by our research and development center, Tsukuba Research Institute, this research and technological development plan is a roadmap for the future technologies; to develop building construction methods, environmental technologies, wood for building materials and resources and will expand the possibility of wooden structures.

This plan of creating Timberized Eco Cities centered on wooden high-rise buildings will revitalize the forestry industry with increased demand of timber and mitigate climate change with increased fixation of CO₂; in essence, Sumitomo Forestry will contribute to invigorate the community and to realize coexistence with the global environment.

Building outline:

- Height – 350m, Number of floors above ground – 70 floors
- Building use: Stores, offices, hotels, residences
- Building area: 6,500m²
- Design collaboration: Nikken Sekkei Ltd.
- Architectural area: 455,000m² (6,500m² x 70 floors)
- Amount of timber used: 185,000m³
- Structure: Wood and steel hybrid structure (Internally, pure wooden structure)



HIGHLIGHT 3

Biodiversity Conservation

Green Townscape Proposal Combining the Strengths of the Group

Our society is built upon various bounties of nature. Despite of this, biodiversity and the ecosystem has been impaired by the rapid development and modernization. As such, there are expectations for companies to engage in urbanization that consider biodiversity in line with the Aichi Targets set out in the 10th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10) in 2010. The Sumitomo Forestry Group engages in business activities considering biodiversity based on the Group Environmental Policy and strives to conserve biodiversity of the region through property development and greening business.

**Example: SDG targets 11.3**

By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

Sumitomo Forestry's contribution in achieving the goal

- Promotion of eco cities through greening business
- Utilization of Harmonic Plants®
- Promotion of biodiversity initiatives

**Acquired first ABINC certification for detached housing complex.**

Sustainable Property Development Considering Biodiversity Forest Garden Hadano

Forest Garden Hadano, a detached housing complex in Hadano City, Kanagawa, is an example of the result of the combined efforts of the Sumitomo Forestry Group companies to realize sustainable property development. It received the first ABINC*1 (Association for Business Innovation in harmony with Nature and Community) certification under the detached housing complex and city area category.

The complex made full use of spring pond which is a local symbol with a property development concept of "Water, Wind, Light, and Greenery." It is also designed with consideration to biodiversity. Specifically, Property Design Guideline is distributed and complied by all households to maintain its design to create one large green area by connecting the greenery of each housing. The guideline also includes detailed rules on garden vegetation to maintain set amount of greenery. Households can choose from our unique Harmonic Plants®*2 to plant and preserve the local tree species. Furthermore, lawn and gravel are used extensively to create more unpaved areas in consideration of circulation of water in the region. Each housing is installed with rainwater tanks and rain garden (water infiltration green zone) as part of the design to preserve rainwater from flowing out of the region (for sold housing lots).

These consideration to environment, circulation of water and materials that contribute to biodiversity and management system for greenery received high praise.

In the design and construction, Residential Property Development Department, Sumitomo Forestry Landscaping Co., Ltd., and other departments and related group companies joined the housing and construction departments to share their knowledge and ideas. This truly was a property development plan actualized by the combined strength of the Group.



left) ABINC certification mark

center) Rain water tank installed in each housing in the complex

right) Bird bath incorporated in the Rain Garden

On the other hand, understanding and support of the residents are essential to realize and maintain the meticulous concept of the Forest Garden Hadano. Continued communication with the residents even after their purchase is indispensable. We plan to hold study sessions and monitor over 30 species living in the region as part of the three-year maintenance plan. These community activities are part of the sustainable property development considering biodiversity and will lead to further increase the asset value.

*1 ABINC: Certification system that recognizes the development of green zones, maintenance, and use that consider biodiversity by companies.

*2 To utilize plants considering biodiversity for effects on the ecosystem and genetic strains according to the location of gardens.

Promoting Sustainable Property Development for the Residents

Countless thoughts and wishes have been incorporated in the Forest Garden Hadano from its planning stage. One example is landowners' wish to utilize spring pond, the symbol of the region. This led to the concept of "Water, Wind, Light, and Greenery."

Being responsible for the exteriors of the property development, we relentlessly studied ways to connect the greenery of each housing to create one large greenery and ways to connect pavement and materials to express an unconstrained property that flows like wind and water and create a unified look of the property. We formulated the Property Design Guideline to create greenery and were able to create a living environment and landscape of property that was connected and with rich greenery.

After the completion of the sale, gentle wind and sounds of the stream, songs of birds, and voices of children all resonate every time I visit. With the continued support of the residents, we were able to acquire the first ABINC certificate as detached housing complex. I would like to continue engaging with passion in sustainable property development valuing communication.



Miki Sakai

Residential Landscaping
Division,
Sumitomo Forestry
Landscaping Co., Ltd.

PICK UP

Communicating the Charms of the Ten Parks Through Ecosystem Surveys Collaborating with Tokyo Metropolitan Government in Natural Parks Business



Sumitomo Forestry concluded a Partnership Agreement on the Natural Park Business with the Tokyo Metropolitan Government in April 2018 to survey, conserve, promote and utilize the ecosystems of the ten natural parks in Tokyo.

Based on the Tokyo Natural Park Vision demonstrating the vision beyond 2020, we aim to create a relaxing and enriching urban life with natural parks.

Precious plants and indigenous species will be cultivated and passed down not only in natural parks but even in urban areas to contribute to protecting genetic resources while also increasing interest in accessible natural parks.

Overview and term of agreement

1. Implement natural environment survey
2. Increase awareness regarding the value, appeal and conservation of natural parks
3. Increase awareness regarding the harvesting, cultivation and promotion of use of native plant seeds, etc.
4. Increase awareness regarding the promotion of use of forest products such as timber
5. The agreement will be renewed each year

HIGHLIGHT 4

Responsible Timber Procurement

Promoting Legal and Sustainable
Timber and Building Material

Forest depletion has become a global-scale social challenge. Forests are depleting around the world by illegal logging and conversion to farmlands. Procuring timber from sustainable forests are material issue for us as our core businesses include distribution of timber and construction of wooden housings. We conduct due diligence of timber procurement based on the Sumitomo Group Procurement Policy to provide sustainable timber while complying with regulations. In response to the enforcement of the Clean Wood Act in 2017, Timber & Building Materials Division registered as Type 1 Timber-related Operator in November 2017.



Example: SDG targets 15.2

By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

Sumitomo Forestry's contribution in
achieving the goal

- Responsible procurement activities based on the Sumitomo Group Procurement Policy
- Confirming and managing legal compliance in procuring timber
- Encouraging use of Forest Certification Systems
- Promoting reforestation and other forest management



To ensure legality and sustainability and improve quality

Initiatives in Indonesia

Indonesia is an important timber and building material supplier for the Sumitomo Forestry Group. Sistem Verifikasi Legalitas Kayu (SVLK) certification system* is being used throughout the supply chain from forest management, harvest, distribution, processing, and export to record and strictly manage every single timber.

The Sumitomo Forestry ensures each timber is managed following the SVLK certification by scanning the barcode on them and checking the certification of their legal compliance.

We are also implementing our own measures on top of the strict system enforced by the Indonesian government. Our employee in charge follows the distribution route until the origin of the sample timber by visiting the actual site to confirm that there are no discrepancies with the management records and documents.

* Indonesia enforces legal compliance certification system for timber called SVLK. This certification and related documents ensure the legal compliance of timber products in Indonesia.

Collaboration with Local Cooperative Association

We are striving to create a sustainable management system for plantation forests in partnership between PT. Kutai Timber Indonesia (KTI), our subsidiary in Indonesia, and various local plantation forest cooperative associations to secure and increase the amount of timber procured from sustainable forest.

Since 2008, some associations began to acquire Forest Stewardship Council (FSC) certification and sustainable forest management is becoming more popular, which in turn contributing to nurture local industry.



Plantation timber and Falcata materials procured from Java Island

Initiative at Plywood Manufacturing Plants

We explain our procurement policy to the owners of the plywood manufacturing plants when evaluating new suppliers. We also conduct questionnaire surveys and in-factory surveys to check sustainable aspects such as quality and labor conditions.

In addition, we are conducting regular audit for existing business partners to provide quality and safety management guides and check their work environment.

Disseminating the Procurement Policy Through Building Trust with the Local Partners.

When I was stationed in Indonesia I was determined not to purchase timber that I cannot check with my own eyes and to deliver safe, reliable, high quality products, when conducting traceability surveys of procuring timber and periodic plywood manufacturing plant surveys.

Therefore, it is very important to build trust with local partners and manufacturing plants and raise their awareness and understanding towards our procurement policy and quality to implement our standards. However, it was not that simple.

After returning to Japan, I am striving to further raise awareness about the procurement policy and standards within the company while also increasing the added value of product that use timber that are confirmed to be legally compliant and sustainable.



Daigoro Munakata

Team Manager
International Marketing Department,
Timber & Building Materials Division
Panel Group

PICK UP

Promotion of Responsible Procurement in Housing and Construction Business Initiative in Construction Materials Development Department

The Sumitomo Forestry Group is promoting responsible procurement based on the Sumitomo Group Procurement Policy in the Housing and Construction departments as well. Major structural members and other materials used for housing construction are procured by the Timber and Building Materials Division and processed in designated plants to ensure traceability of their legality and sustainability. Legal compliance of other wooden materials were confirmed by documents and other materials provided by suppliers that certify the timber is harvested complying with regulations. Furthermore, we responded to the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (Clean Wood Act) enforced in May 2017, and registered as Type 2 Timber-related Operator in March 2018.

In addition to wooden materials, there are numerous materials used for housing construction, such as housing systems and fixtures, interior materials, and etc. Construction Materials Development Department convenes a supplier evaluation meeting three times a year to evaluate suppliers of wooden and other materials. The evaluation not only look at quality and costs, but also includes environmental and social aspects. Results of the evaluations are shared during the meeting and requests for improvement are sent to the supplier if any issues were found. Requests are followed up until improvement is confirmed.



Supplier evaluation meeting

HIGHLIGHT 5

Transition to Renewable Power Generation

Powering Clean Energy
Circulation in Region

While implementation of renewable energy is being promoted throughout the world, wood biomass as an energy source is gaining attention, which can supply stable electricity and contribute to vitalization of the region.

The Sumitomo Forestry Group aims to expand the renewable energy business to a scale of 200MW by March 2019 through cooperating with stakeholders in each region by utilizing know-how cultivated in businesses focusing on wood and by expanding the wood biomass power generation business which lead to the realization of circular economy.



Example: SDG targets 7.2

By 2030, increase substantially the share of renewable energy in the global energy mix

Sumitomo Forestry's contribution in
achieving the goal

- Expanding the renewable power generation
- Contributing to regional resource recycling through the business
- Partnership with local governments for the business



Accelerating the building of 200MW system

Forecast of Renewable Energy
Generation Business

The power generation business of the Sumitomo Forestry Group is characterized as coherent system that covers procurement of wood resources to production of fuel wood chips and power generation and we announced to expand the renewable energy business to a scale of 200MW by March 2019 (plan base).

We have built and operated urban-sourced and forest-sourced wood biomass power plants up to now but we plan to expand biomass power generation plant that use imported timber as its main fuel. We will also search for new business possibilities considering construction of wind power generation plant in the premise of our company-owned forests while looking at resource recycling in the region.

Name of power plant	Power generation capacity	Start of operations	Characteristic
① Mombetsu Biomass Power Generation Plant	50MW	December 2016	Our first forest-sourced biomass power generation plant that use unused forest material procured from the Okhotsk region as its main fuel.
② Tomakomai Biomass Power Generation Plant	6.2MW	April 2017	Forest-sourced biomass power generation plant that use unused forest material procured from the Tomakomai region (Iburi, Hidaka, and Shiribeshi) as its main fuel.
③ Hachinohe Biomass Power Generation Plant	12.4MW	April 2018	Forest-sourced biomass power generation plant that use unused forest material procured mainly from Sanpachi, Kamikaze, and Shimokita areas as its main fuel.
④ Kashima Solar Power Generation Plant	876kw	November 2013	Original wooden mount mainly of Japanese cedar is used for the stand of the solar panel. Operated utilizing the company idle land in the Kashima City, Ibaraki.
⑤ Kawasaki Biomass Power Generation Business	33MW	February 2011	Urban-sourced biomass power generation plant utilizing recycled chips produced by using construction waste from Tokyo and surrounding suburb. It is equipped with environmental mechanisms, such as a flue gas desulfurization, flue gas and exhaust gas denitrizer equipment and clears Kawasaki City's strict environmental standards.
⑥ Karita Biomass Power Generation Plant	75MW	June, 2021 (planned)	Plans to mainly use pallets from U.S. and palm kernel shell from Indonesia as its main fuel and unused forest material procured from other Northern Kyushu region as fuel.

Generating power for approximately 27,000 households using unused wood materials in the region

Start Running the Hachinohe Biomass Power Generation Plant

In April 2018, the Mombetsu Biomass Power Generation Plant began operations as the fourth wood biomass power generation plant by our Group in Japan. Its power generation capacity is 12.4MW. The Mombetsu Biomass Power Generation Plant is located in a mountainous area generating power using unused wood materials from forests in Sanpachi, Kamikaze, and Shimokita areas, and supplies electricity equaling to the amount of power used by approximately 27,000 households. Eastern Aomori is an agricultural area unique for having many satoyamas and has a high ratio of privately-owned forests.

The Hachinohe Biomass Power Generation Plant is able to return profits to the owners of the forest areas while using the resources in the region by making wood chips from every part of the tree, from its trunk to branches, locally.

In addition, we are also contributing to the vitalization of the local economy through using the Hachinohe Port close to the power plant for importing Perm Kernel Shell (PKS) that are used as auxiliary fuel. Furthermore, we are striving to contribute to the region through recycling resources from the satoyama in partnership with local companies such as ash generated being reused by the Hachinohe Cement Co., Ltd. material for making cement.



Contribution to Vitalization of Regional Forestry Industry Through Effective Use of Resources

We place importance in fully using the valuable forest resources. We are procuring wood chips made from unused wood materials such as foliage and short timber that were left in logging sites. We are also promoting initiative to partially use barks generated at sawmills and in large quantities at that were mostly disposed as waste.

We hope to contribute to the vitalization of the local forestry business through the effective use of resources.



Katsuyasu Yo

Manager
Michinoku Bio Energy Co., Ltd.

HIGHLIGHT 6

Promotion of Work Style Reforms

Change Your Work-style,
Change Your Environment,
Change Your Mind-set

Amidst the revision of work-style throughout society, reducing long working hours and improving productivity is an important issue for securing human resource and employee satisfaction. The Sumitomo Forestry Group is currently improving its personnel system in series. Especially in the Housing and Construction Division, we are promoting new initiatives to strike work-life balance from the three approaches of improving efficiency of operations, creating workable environment, and changing mind-set.



Example: SDG targets 8.5

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Sumitomo Forestry's contribution in
achieving the goal

- Promote work-life balance
- Just and fair employment and treatment
- Active human resources development



Promoting work-life balance and improving productivity

Initiatives in Housing and
Construction DivisionReduce Load by Flexible Working Hour,
Use of ICT Tools, and Implementation of Supporting Staff

In the Housing and Construction Business, one of our Group's core business, its work-style had mentality of accepting longer work hours and work load to fulfill the needs of the customers. Technicians such as person in charge of construction whose responsibility is to manage sites that are required higher quality and precision and person in charge of design who are required to make proposals that incorporate customer needs especially tended to have increased working hours. We are striving to innovate operations in the department and change systems to reduce the total working hours to reducing these burden and increasing quality of work in shorter time. To be specific, we have implemented supportive systems to effectively use time and reduce work load such as flex-time system to allow employees to adjust workload with in the same month on their own and assigning supporting staff to providing aid that require support based on work load and its content.

In addition, we are working to further increase operational efficiency by utilizing ICT and reduce human errors and smooth sharing of information internally through introducing application that automatically generates and links meeting records and specifications and list of estimated prices to a computer. We will further expand the use of applications in the future.



Proposal to customers using applications



Promotion of Development of Workplaces where Diverse Personnel can Work with Vigor and Enthusiasm

The Tokyo-Minami Branch is striving to build supporting system among the staff and increase skills as its main initiatives. For example, management asks support for staff with high work load during group morning assembly and recognizes each others peaks and lows of work load and share or transfer work. We are also striving employees to be multi-functional to enable to handle part of the work even they are not the main person in charge. Furthermore, we are holding regular discussion in the Work-style Improvement Committee consisted by two members from each department and has been leading to identifying issues and improvement plans for the branch.

Through these initiatives, average overtime in the branch reduced while paid leave usage increased over the past few years. I myself took long summer vacation last year and promoted it to my staff as well. We were able to reduce overtime and some members from the Group companies enjoy tennis on holidays.



Ami Makimura

Manager (in charge of General Administration Group)
Tokyo-Minami Branch, Housing and Construction Division

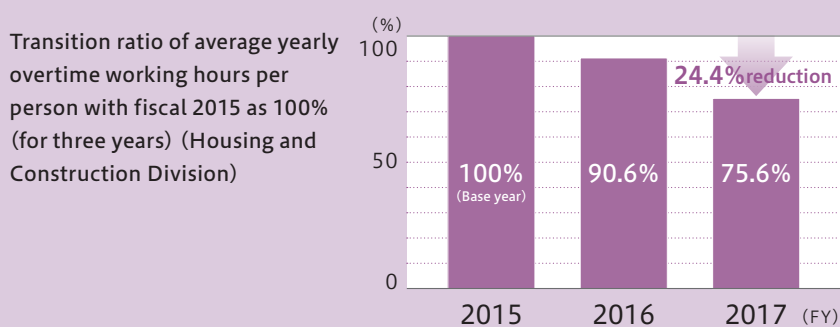
Initiatives Launched in Fiscal 2017 and Later

	Overview of initiatives	Effects
Improving efficiency of operations	<ul style="list-style-type: none"> Effective use of efficiency improvement tools (use of tablet terminals, introduction of applications) Promoting going directly to a site and directly home 	<ul style="list-style-type: none"> Fixing designs and specification in fewer meetings, and effective sharing of information with the branch Reduction of work load and human error Reduction of time and stress of travel
Creating workable environment	<ul style="list-style-type: none"> Implementing supporting staff Setting planned paid leaves 	<ul style="list-style-type: none"> Reduction of employees work load Encouragement of taking paid leaves
Change mind-set	<ul style="list-style-type: none"> Changing PC shut down time Revising evaluation system, etc. 	<ul style="list-style-type: none"> Raised awareness about increasing operational efficiency Planning more importance to per hour productivity

Connecting Improvement of Productivity to Treatment and Employee Evaluation

We have implemented evaluation based on productivity per hour from fiscal 2017 to further enhance the results and effectiveness of initiatives mentioned earlier. This system is used as one of the indices when evaluating the branches and treatment of the employees while connecting it to the employee evaluation. This has increased awareness of branches about work-style and increasing productivity and employees individual engagement. Tendencies to promote taking paid leaves have expanded and leading to positive results in not only improved work-style and innovation in taking leaves.

We will continue our initiatives to further improve productivity and profitability while listening to the voices of on-site employees and improve work-life balance.



Sumitomo Forestry Group CSR Material Issues and Mid-Term CSR Management Plan (FY2017 result)

Material Issue 1

Continue to procure wood and materials that take sustainability and biodiversity into consideration

Current awareness of issues and basic strategies

Environmentally responsible society

- Increase volume of sustainable wood handled, and utilize sustainable forest resources by verifying legal compliance
- Establish forestry management that enables conservation of biodiversity, and value as natural capital

Related SDGs



Percentage of certified timber among
all imported timber sold

FY2017 result
12.8% ◀ FY2020 target
12.0%

Volume of exported Japanese timber

FY2017 result
120 ◀ FY2020 target
200
thousand m³

Volume of plantation timber, certified timber, and
Japanese timber handled at distribution hubs overseas

FY2017 result
1,163 ◀ FY2020 target
783
thousand m³

Percentage of Japanese timber used for
new custom-built detached housing
(Percentage of the Multi-Balance Construction Method)

FY2017 result
71.0% ◀ FY2020 target
75.0%

Percentage of reviews conducted for wood product
suppliers who handle directly imported timber and
wood products with verified legal compliance

FY2017 result
100% ◀ FY2020 target
100%

Percentage of certified by SGEF forests in
newly acquired forests managed
by the Group

FY2017 result
100% ◀ FY2020 target
100%

Material Issue 2

Promote the reduction of the environmental impact of our business activities

Current awareness of issues and basic strategies

Low-carbon society

- Reduction of CO₂ emissions in the Group
- Reduction of CO₂ emissions outside the Group (use of products and service)

Related SDGs



Recycling society

- Recycling society Achieve zero emissions
- Reduce volume of industrial waste generated



Change in CO₂ emissions compared to FY2013
In the office segment
(consolidated company within and outside Japan)

FY2017 result
10.1% ◀ FY2020 target*1
7.0%
reduction
(At least 16.0% reduction)

Percentage of Green Smart / ZEH type
new custom-built detached houses
(Number of Green Smart / ZEH type when construction started /
total number of houses that started construction)

FY2017 result
30.1% ◀ FY2020 target
80.0%
At least

Recycling rate at
new housing construction sites

FY2017 result
92.5% ◀ FY2020 target
98.0%

*1 Original target of the Mid-term Plan. Based on the FY2017 results, the FY2020 target was revised upwardly.

*2 The calculation method for indicators differs from the ZEH standardization results (FY2017) published on the Sumitomo Forestry ZEH website.

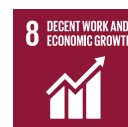
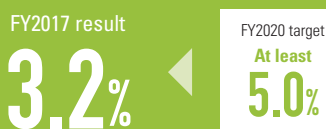
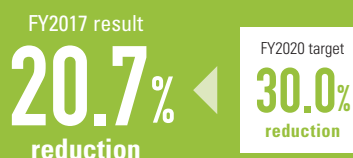
Material Issue 3

Promote the development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality

Current awareness of issues and basic strategies

- Promote fair employment and treatment
- Promote work-life balance
- Strengthen occupational health and safety

Related SDGs

Female employees in management positions
(Sumitomo Forestry)Overtime working hours (Sumitomo Forestry)
(Reduction from the average overtime working hours in FY2013)Number of occupational injuries at
new construction sites*

*Number of cases covered by temporary absence with work compensation benefits under the Industrial Accident Compensation Insurance Act.

Material Issue 4

Strengthen and promote risk management and compliance mechanisms

Current awareness of issues and
basic strategies

- Strengthen risk management framework

Strengthen risk management framework

FY2017 result

Reviewed target items and shared case reports on emerging risks at the monthly Board of Executive Officers meetings.

FY2020 target

Manage risks by using prioritized risk items set by the Risk Management Committee.

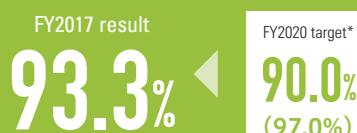
Material Issue 5

Promote the development and sales of products and services that are safe, reliable and environmentally conscious

Current awareness of issues and basic strategies

- Improve safety and quality
- Improve communication with customers

Related SDGs

Ratio of design performance evaluations
implemented for new custom-built
detached housingRatio of houses certified as Excellent
Long-term Housing for new custom-built
detached housingRatio of early completion of handing the
as-built drawing for new custom-built
detached housing

*Original target of the Mid-term Plan. Based on the FY2017 results, the FY2020 target was revised upwardly.

CSR Management

Corporate Philosophy and CSR Management

CSR-related Policies

Stakeholder Engagement

Initiatives to Achieve Sustainable Development Goals (SDGs)

CSR Material Issues and Mid-Term CSR Management Plan

Material Issue 1: Continue to procure wood and materials that take sustainability and biodiversity into consideration

Material Issue 2: Promote the reduction of the environmental impact of our business activities

Material Issue 3: Promote the development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality

Material Issue 4: Strengthen and promote risk management and compliance mechanisms

Material Issue 5: Promote the development and sales of products and services that are safe, reliable and environmentally conscious

Corporate Philosophy and CSR Management

Corporate Philosophy and CSR Management of the Sumitomo Forestry Group

The Sumitomo Forestry Group operates under its Corporate Philosophy, Action Guidelines and Code of Conduct to utilize wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society. We formulate various policies and guidelines according to these principles, such as our environmental and procurement policies. We redefined the Sumitomo Forestry Group Code of Conduct in July 2017 so that it conforms to the requirements of society, such as recent international standards and initiatives. To ensure Group-wide adoption of the Sumitomo Forestry Group Code of Conduct, we explain the Sumitomo Forestry Group Code of Conduct by distributing a Sumitomo Forestry Group Code of Conduct Handbook to each and every employee of Group companies in Japan and by carrying out e-Learning. This information is translated into English and other languages to further expand this code of conduct even to affiliated companies outside of Japan.

Furthermore, at the ESG Promotion Committee convened four times a year, we monitor the practice and effectiveness of these principles from our Corporate Philosophy to our Action Guidelines and Code of Conduct.

Moreover, based on the ISO26000, the International standard requiring organizations to practice social responsibility, the Sumitomo Forestry Group actively communicates with all stakeholders.

Incorporating the Group's shared values into its brand message "Happiness Grows from Trees," it will further promote CSR management, thereby contributing to a sustainable society.

Corporate Philosophy

The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

Action Guidelines

- We provide high-quality products and services that bring joy to our customers.
- We create new businesses that lead to happiness for generations to come with a fresh perspective.
- We promote a free and open-minded corporate culture that respects diversity.
- We set and strive to achieve ambitious goals through ongoing effort.
- We do work that wins us the trust of society with fair and honest conduct.

Sumitomo Forestry Group Code of Conduct

Purpose and scope of application

Based on its corporate philosophy and action guidelines, the Sumitomo Forestry Group shall manage its operations, including the supply chain, in accordance with this Code of Conduct.

Fair and transparent corporate activities

1. Strict adherence to laws and regulations

We shall adhere to all domestic and overseas laws and company regulations and respect international norms of behavior.

2. Prevention of corruption

We shall have absolutely no involvement in corrupt practices, including bribery, embezzlement and money laundering.

3. Fair business transactions

We shall pursue fair business transactions and refrain from any involvement in cartels, bid rigging or other such activities.

4. Fair accounting procedures

We shall conduct fair accounting and tax practices based on accurate records.

5. Communication with stakeholders

In consideration of the interests of our shareholders and other stakeholders, we shall disclose necessary information in a timely and fair manner and promote dialogue.

6. Maintaining confidentiality

We shall ensure the protection of confidential information, both our own and that of third parties.

7. Information security

We shall install appropriate information security measures to prevent information leaks and other breaches.

8. Relationships with companies we do business with

We shall build and maintain constructive relationships with the parties we do business with and refrain from inappropriate behaviors, such as the abuse of power.

9. Protection of intellectual property rights

In addition to protecting our own Company's intellectual property rights, we shall not infringe on the intellectual property rights of others.

10. Protection of personal information

We shall appropriately manage personal information, use it only for authorized purposes and prevent leaks.

11. Responsible advertising/promotional efforts

We shall engage in accurate and appropriate advertising and promotional efforts that do not cause misunderstanding or offense.

12. Healthy relationship with the government

We shall maintain a healthy and transparent relationship with the government that is in conformance with all laws.

13. Stance on organized crime

We shall have absolutely no involvement in organized crime.

14. Establishment of a whistleblowing mechanism

We shall establish a mechanism for people to report any suspicions of breaches to any laws or this Code of Conduct. By allowing reports to be made anonymously and strictly prohibiting retaliation against informants and other measures, we will actively promote its use.

Ethical conduct

15. Avoidance of a conflict of interest

We shall make a clear distinction between professional and personal matters and refrain from activities that may constitute a conflict of interest with the company.

16. Prohibition of misappropriation of company assets

We shall not use company funds or assets for personal purposes.

17. Prohibition of insider trading

We shall take no part in insider trading, including being complicit with others.

18. Appropriate gift giving and entertainment

We shall neither accept nor offer gifts or entertainment that would be considered inappropriate according to socially accepted norms.

19. Prohibition of political or religious activities

During work hours, we shall not recruit or otherwise promote political, religious or other activities based on personal ideology.

A respectful, healthy workplace**20. Respect for human rights**

According to internationally accepted human rights norms, we shall respect the human rights of all individuals, including women, children, indigenous people, minorities and vulnerable people.

21. Prohibition of discrimination and the promotion of diversity

We shall not discriminate on the basis of race, ethnicity, nationality, gender, religion, ideology, disability, sexual orientation, gender identity or other. In addition, we shall work to secure and promote diversity.

22. Prohibition of forced labor and child labor

We shall not tolerate forced labor or child labor in any form.

23. Freedom of association and collective bargaining rights

In accordance with laws, we shall secure workers' rights for freedom of association and collective bargaining.

24. Appropriate working hours and wages

In accordance with laws, we shall ensure that working hours and wages are appropriate.

25. Work/life balance

We shall secure the appropriate balance between work and individual commitments, such as caring for children and the elderly.

26. Occupational health and safety

We shall strive to maintain a safe and healthy work environment. In addition, we shall implement regular educational and training programs to prepare for disasters, accidents and other.

27. Human resources development

We shall strive to nurture human resources by providing skill enhancement opportunities, such as training seminars.

28. Prohibition of harassment

We shall not commit or tolerate acts of sexual harassment, power harassment, inhumane punishment or other.

29. Protection of privacy

We shall respect and protect the individual's right to privacy.

Business activities that respect society and the environment**30. Customer satisfaction and safety**

We shall secure the safety and security of our customers and at the same time, sincerely engage with them and work to improve quality and customer satisfaction.

31. Co-existence with the environment

We shall strive to reduce the environmental impact of our products and services throughout their entire lifecycle, prevent global warming, recycle resources, prevent pollution and maintain biodiversity.

32. Contribution to the local community

We shall respect the local region's culture and customs and through dialogue, shall seek to contribute to their sustainable development.

Established July 1, 2017

Participation in the United Nations Global Compact

In December 2008, Sumitomo Forestry formally signed the United Nations (UN) Global Compact to declare our support for its principles. The ten principles of the UN Global Compact are based on globally established agreements, including the Universal Declaration of Human Rights, and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. They incorporate support of and respect for the protection of human rights and the eradication of forced and child labor.

The Ten Principles of the UN Global Compact

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption


- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



CSR-related Policies

The Sumitomo Forestry Group formulates separate policies for each issue related to CSR management and carries out initiatives according to those policies.

Governance Policies

- ▶ Basic Policy on Corporate Governance 
- ▶ Sumitomo Forestry Group Code of Conduct
- ▶ Preventing Corruption
- ▶ Promotion of Fair Competition and Appropriate Transactions with Subcontractors
- ▶ Information Security Policy
- ▶ Intellectual Property Management Policy

Social Policies

- ▶ Sumitomo Forestry Group Procurement Policy
- ▶ Green Procurement Guidelines (extract)
- ▶ Basic Policy on Occupational Health and Safety
- ▶ Sumitomo Forestry Group Declaration on Empowering Women
- ▶ Policy on Social Contribution Activities/Donations

Product Policies

- ▶ Basic Policy for Product Safety and Quality Control in the Housing Business

Environmental Policies

- ▶ Sumitomo Forestry Group Environmental Policy
- ▶ The Sumitomo Forestry Group's Long-term Biodiversity Targets (summary)
- ▶ Policy on Biodiversity Conservation in Company-Owned Forests in Japan (excerpt)

Sumitomo Forestry Group Procurement Policy

The Sumitomo Forestry Group utilizes wood as a renewable natural resource in its business operations. To contribute to a sustainable society, we are committed to procurement activities that take into account economic, environmental and societal interests and comply with the following policy:

1. Procurement based on legal and highly reliable supply chains

Our procurement activities will strictly adhere to all relevant laws, regulations and societal norms, and be built on mutual understanding and trust with our business partners. Furthermore, to provide the highest quality products and services, we will work with our business partners to ensure that our procurement takes place within a sound and fair supply chain.

2. Procurement based on fair opportunity and competition

We will provide all our suppliers, both Japanese and foreign, a fair opportunity for business. Selection of our business partners will be based on a comprehensive evaluation of the company's reliability and technological expertise, the product's quality, economic efficiency, delivery date and environmental performance, and the company's CSR (Corporate Social Responsibility) initiatives, such as advocacy of basic human and worker rights, anticorruption efforts and so on.

3. Procurement of sustainable timber and wood products

Wood is a renewable natural resource. To actively utilize it, we will work with our business partners on the following initiatives related to the procurement of timber and wood products:

- Procure timber from forests that are sustainably managed
- Work to improve the traceability of procured timber and wood products
- Strictly adhere to the laws and regulations of the countries and regions we log in, protect biodiversity and forests with high conservation value, and respect the cultures, traditions and economies of regions that coexist in harmony with forests.

4. Pursue active communication

To ensure the transparency of our procurement efforts, we will disclose information appropriately. In addition, we will communicate with our stakeholders to further improve our procurement activities.

Revised July 23, 2015

Green Procurement Guidelines (extract)

Corporate activities assessment

1. Acquisition of ISO 14001 certification, and adoption of environmental policies and philosophy.
2. Active in global environmental protection, such as biodiversity preservation and the prevention of global warming.
3. Committed to CSR in its entirety, such as workplace health and safety and respect for human rights.

Product assessment

1. No use of hazardous materials which are likely to have an adverse effect on health and the environment.
2. No leaching of hazardous materials from the product during construction or use.
3. Ability to be reused or recycled after use.
4. Use of processes and materials to lengthen the lifespan of the product.

Revised January, 2013

Sumitomo Forestry Group Declaration on Empowering Women

Sumitomo Forestry Group is committed to creating “an open and inclusive corporate culture that values diversity,” as set out in its Action Guidelines. We believe a diverse workforce and a business strategy developed from a wide range of ideas is important for the Company. As part of this effort, we are striving to promote the participation of women in the belief that this will meet the social needs and significantly contribute to increased corporate value.

By expanding opportunities for women and by leveraging the creative power of women, we will integrate a diverse range of values that will spur innovation and enhance corporate value.

1. We will create a positive work environment for women

In Japan, with a falling birthrate and aging population, worker population is projected to decline. By utilizing a workforce made up of individuals without regard to values, age, gender, nationality or disability, and by respecting the individual lifestyles of each and every female employee, we are working to create an open corporate culture and positive working environment where everyone can gain a sense of fulfillment in their work.

2. We will leverage women's unique creative powers

Women's success in business is gaining prominence, such as with companies that utilize the perspective and creative powers of women to develop new products and services. In all business sectors, Sumitomo Forestry is striving to nurture the culture and processes that will harness women's unique creative powers and create new value.

3. We will spur innovation through the participation of women

Lively interaction among employees of different values, ages, gender, nationalities and other qualities leads to new ideas. Expanding work opportunities for women employees, in particular, spurs innovation in all areas, from sales and marketing to product development, business strategy and operational efficiencies.

December 24, 2013

Sumitomo Forestry Group Environmental Policy

Through our experience nurturing forests since our founding, Sumitomo Forestry Group has learned to appreciate the wonders of wood and the importance of nature. As a corporate entity with a close affinity to nature, we will pursue business activities that balance both environmental and economic interests and contribute to a sustainable society.

1. Develop business operations centered on wood and forests

We will cultivate forests and their ability to preserve and enhance the rich ecosystem to protect biodiversity, actively utilize timber resources and create new corporate value.

2. Develop and offer environmentally conscious products and services

We will develop and sell products and services that are environmentally conscious throughout the entire product lifecycle.

3. Minimize and improve environmental impact

To minimize and improve environmental impact, we will employ procurement practices that prevent environmental pollution and climate change and promote the effective utilization of natural resources.

4. Ensure strict legal compliance

We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.

5. Make continual improvements to our environmental management system

We will accurately assess environment-related risks associated with our business activities and with a mid-to-long-term outlook, set and work to fulfill yearly environment goals. In addition, we will regularly evaluate our environmental management system and make continual improvements.

6. Promote environmental education

We will provide environmental education for all parties involved in Sumitomo Forestry Group's business operations and encourage voluntary environmental efforts.

7. Pursue active communication

We will actively disclose information about our environmental policies and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

Revised July 23, 2015

The Sumitomo Forestry Group's Long-term Biodiversity Targets (summary)

Group-wide Targets

1. (Aim to achieve sustainable forests)

In all timber-related businesses, from upstream to downstream, we will work to prevent a reduction in forest areas and pursue forest sustainability.

- We will strive to regenerate forests through reforestation and natural regeneration and logging a planned, sustainable manner that takes into account the forest's ability to grow.
- We will increase the procurement and use of sustainable timber, such as forest certified timber, plantation forest timber and Japanese timber.
- We will promote the efficient use as well as the recycling and reuse of timber.

2. (Increase the amount of CO₂ absorbed by and sequestered in forests and timber)

By cultivating healthy forests and promoting the use of timber through the greater use of timber construction materials and the construction of wooden buildings, we will strive to increase the amount of CO₂ absorbed by and sequestered in forests and timber to contribute to the protection of biodiversity and the alleviation of climate change.

Individual targets

3. (Forests)

We will promote forest management that regenerates, maintains and increases biodiversity.

- We will carry out zoning to protect ecosystems and the habitats of living creatures.
- We will ensure that in terms of area, 20% or more of our Company-owned forests in Japan are environment forests that emphasize environmental protection.
- We will maintain that 100% Company-owned forests remain forest-certified.
- We will maintain and increase biodiversity at our operation sites based on results of our biodiversity monitoring of Company-owned forests in Japan.
- We will conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.

4. (Products)

We will provide products and services that take into account biodiversity, such as forest-certification and products and services that have undergone environmental assessment.

5. (Design)

We will work to develop homes and communities that are in harmony with the natural environment and their surrounding urban landscapes.

6. (Construction)
We will manage and minimize the generation of waste by promoting a zero-emissions policy in building and construction.
7. (Greening)
We will be considerate to the surrounding ecosystems and tree species and actively cultivate native species.
8. (Plants)
We will manage and minimize pollutants, waste and noise, and reduce their impact on biodiversity.
9. (Public relations)
We will actively communicate the importance of biodiversity to all stakeholders, including customers, business partners, and local communities.
10. (Research)
We will gather the latest information and develop conservation technologies to implement biodiversity initiatives.
11. (Social contribution)
We will protect trees that are historically and culturally important and also preserve their genetic material.

Policy on Biodiversity Conservation in Company-Owned Forests in Japan (excerpt)

1. Diversity of ecosystems

We will properly manage strictly protected areas designated under the Natural Parks Law and other legislation in a manner stipulated by the law. In other areas, we will ensure continuity of forests by limiting the area of forest harvested, particularly when clear cutting is conducted.

2. Diversity of species

We will work to prevent a decline in the number of species existing in natural forests by refraining from expansive planting projects and other extreme activities involving the replacement of species that would have a major impact on existing ecosystems. We will also give the utmost consideration to the protection of rare flora and fauna in all operations, making reference to the Sumitomo Forestry Red Data Book.

3. Genetic diversity

Genetic variation and the maintenance of populations to support them will become issues in the future. However, analysis is complicated and therefore we will closely watch monitoring activities carried out by government and public institutions and their findings.

June, 2006

Stakeholder Engagement

Basic policy

The Sumitomo Forestry Group is involved with various stakeholders because the business activities conducted by the Group are in broad range of global businesses from the upstream to the downstream with wood at the core. We are always focused on communication, starting with our business activities while taking into account the relationship between the direct and indirect impact. Our basic policy is to sincerely respond to that expectations and requirements.

Stakeholders of the Sumitomo Forestry Group

The stakeholders of the Sumitomo Forestry Group are organized and classified as outlined below. The Sumitomo Forestry Group has put in place measures to respond to the diverse expectations and requirements of each stakeholder while facilitating good communication not only on a daily basis in business activities but also takes advantage of various other opportunities.



Responsibilities and Communication Methods

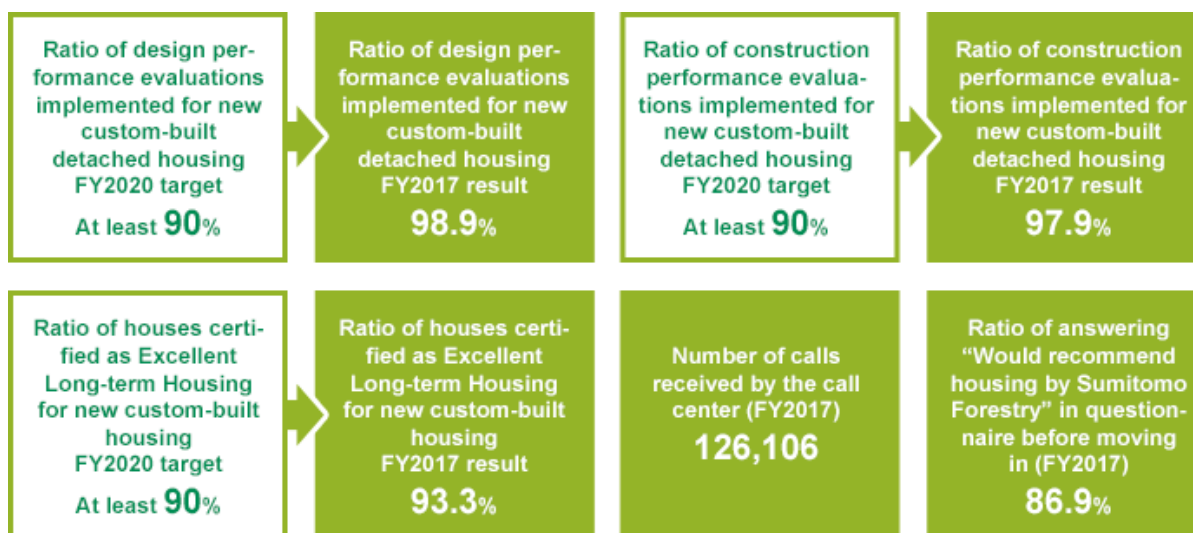
Customers

Customer needs are diversifying as the social environment changes dramatically due to energy issues resulting from frequent large-scale disasters and global warming in addition to the decreasing population and aging society, centralization and depopulation in urban areas as well as a growing mindset toward health.

The Sumitomo Forestry Group conducts comprehensive efforts toward safety and quality issues based on these circumstances to not only reduce risk but also create new business opportunities by responding to the societal and environmental changes with the hope that it will heighten customer satisfaction.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> • Providing safe, high-quality products and services • Disclosing timely and accurate information and providing accountability • Understand the requests and needs and improve satisfaction through communication 	<ul style="list-style-type: none"> • Sumitomo Forestry Call Center • Customer Satisfaction Survey • Websites and other media • Exhibitions and various other events

Relevant Targets and Performance



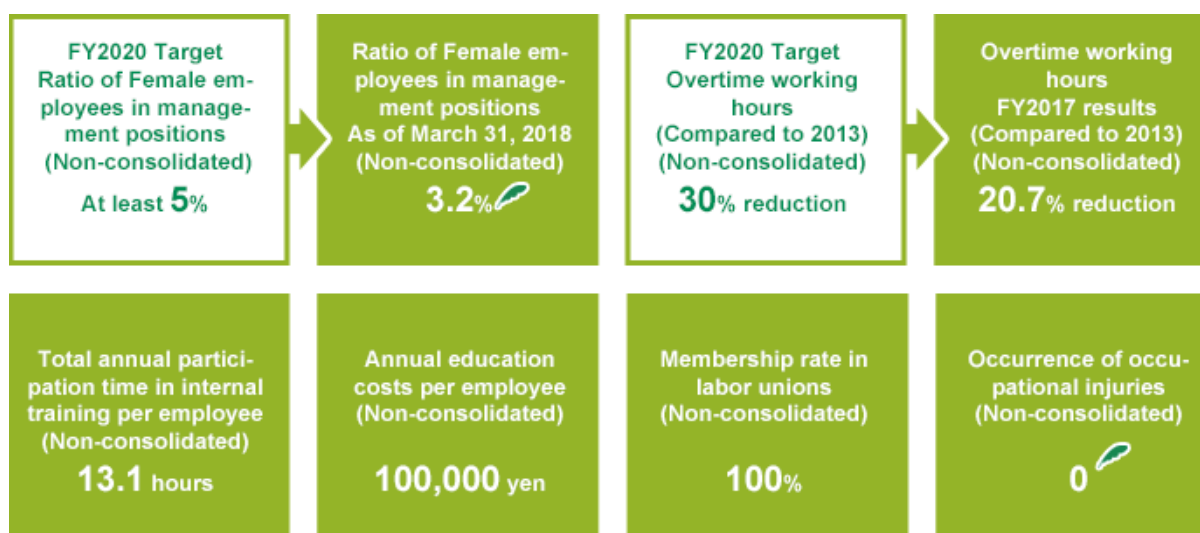
Employees and Their Families

A wide range of themes have been raised concerning social challenges related to employment and labor from human rights and the form of an equal workplace without discrimination to ensuring safety on-site, considerations toward work-life balance and the reduction of long working hours.

We believe working to resolve these challenges is the driving force to improving corporate value and business promotion that have a positive effect that include gaining human resources and improving the motivation of employees while eliminating risks on employees.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> Establishing and providing a healthy working environment where people can work safely that respects human rights without any discrimination Equally and fairly evaluating personnel Establishing educational systems able to drive and improve skills Establishing measures, policies and other regulations to enhance the work-life balance 	<ul style="list-style-type: none"> Conducting regular consultations and performance reviews Conducting employee satisfaction surveys Installing a compliance counter Establishing a Medical Consultation and Treatment for Mind and Body Carrying on a dialogue (casual discussions) between the president and employees Holding Family Open Day Carrying out meetings with management made up of both labor and management committee members Publishing internal magazines and putting in place an intranet

Relevant Targets and Performance



Shareholders and Investors

In recent years, institutional investors have shifted the way to evaluate a company. One emphasis from this perspective of evaluation is engagement. The dialogue between companies and their shareholders as well as investors is growing in terms of strategies and efforts to improve corporate value. Trends to promote even broader engagement are growing after the publishing of the Stewardship Code even in Japan.

The Sumitomo Forestry Group places great importance on engagement from the perspectives of properly assessing the corporate value and earning trust from the market. The Group discloses a wide range of information, including non-financial information, in a timely and transparent manner to facilitate understanding among stakeholders of our management policies and business strategies, while regularly feeds back the opinions and requirements of investors who are a vital stakeholder into operations to put in place measures toward sustainable growth.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> • Disclosing timely and accurate information • Pursuing informational transparency and accountability • Executing the appropriate premium redemption to shareholders 	<ul style="list-style-type: none"> • Holding general meetings of shareholders, financial results briefings, investor briefings, analyst briefings and other relevant meetings • Communicating information on websites, shareholder correspondence, briefing materials and in other relevant forms • Responding to surveys for relevant assessment and research agencies such as SRI

Relevant Targets and Performance

<p>Return on equity (ROE)</p> <p>10.3%</p>	<p>Individual meetings for institutional investors (in and outside Japan)</p> <p>173</p>	<p>Issued shares (as of March 31, 2018)</p> <p>182,607,739 shares</p>	<p>Full-year dividend per share FY2017</p> <p>40 yen</p>
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Government and Regulatory Authorities

As a company involved in a variety of businesses centered upon wood, Sumitomo Forestry Group needs to adhere to laws and regulations by continually updating information about relevant laws and regulations in each region and country where it conducts business.

For example, housing construction must comply with the Building Standards Act as well as wide range of other laws and regulations. We also must engage in broad communication as a business involved with national lands through forest management, such as notifications to government and regulatory authority.

Therefore, we strive to earn greater trust from society by thoroughly complying with the various laws and regulations as well as ensuring proper communication with the government and regulatory authorities in each country where our businesses are expanding.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> • Complying with all relevant laws as well as reporting and delivering notifications 	<ul style="list-style-type: none"> • Responding through expert and relevant departments

Industries and Companies in the Same Business

The Sumitomo Forestry Group believes a fair, open competitive environment is essential to foster sustainable growth throughout the entire industry.

We also know industry associations and other organizations are indispensable in creating relevant rules.

We participate in organizations such as industry associations and contribute to the growth and development of the industry by taking a leading role as a front runner in the industry.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> Assembling the appropriate markets and competitive environment Offering cooperation for the growth and development of our industry 	<ul style="list-style-type: none"> Participating in industry associations and other organizations

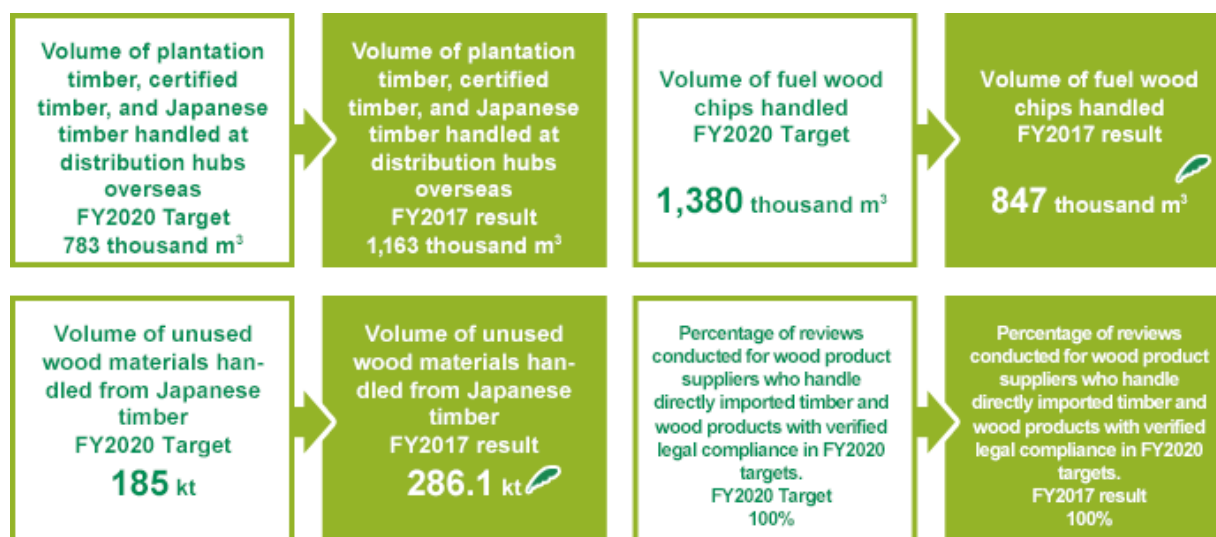
Business Partners

Promoting sustainable forest management and timber procurement are extremely vital endeavors for the Sumitomo Forestry Group, which is expanding its business around “wood”. We believe initiatives are also necessary to respond to risk elements that include the laws in each country and the various regulations related to the illegal logging.

These efforts strengthen our foundation of business by promoting the preservation, development, and planting of forests as well as effectively using limited global resources such as the active use of timber cut from forests that have received Forest Stewardship Council (FSC) certification together with our business partners.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> Building equal and fair relationships with business partners Improving the occupational health and safety environment Complying with all relevant laws 	<ul style="list-style-type: none"> Engaging in purchasing and procurement activities Conducting safety conferences, safety patrols and building contractor meetings Conducting workshops and informational exchange meetings Conducting supplier evaluations (surveys and questionnaires)

Relevant Targets and Performance



Students

The Sumitomo Forestry Group shares information about various initiatives as well as the medium to long-term outlook, including our philosophy, the current state of business, work style reforms, with all of the students entrusted with the next generation.

We strive to actively share information and engage in communication to of course deepen understanding in our own company but also to facilitate mutual growth in a dramatically changing environment.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> • Conducting equal and fair hiring practices • Actively communicating information 	<ul style="list-style-type: none"> • Participating in various briefings and other events • Visiting schools

NPOs/NGOs

The Sumitomo Forestry Group works together with everyone at NPOs and NGOs to cultivate understanding about the situations faced in each region through expert knowledge and businesses when working to confront social challenges such as biodiversity and regional development. Through the cooperation with civil society, we fulfill our role for not only the company but also many other people. We expect to produce even greater results toward solving the challenges faced by society rooted in each community.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> • Working cooperatively to solve social challenges • Providing business know-how 	<ul style="list-style-type: none"> • Participating in employee volunteer activities • Working cooperatively through social contribution activities • Stakeholder Dialogue

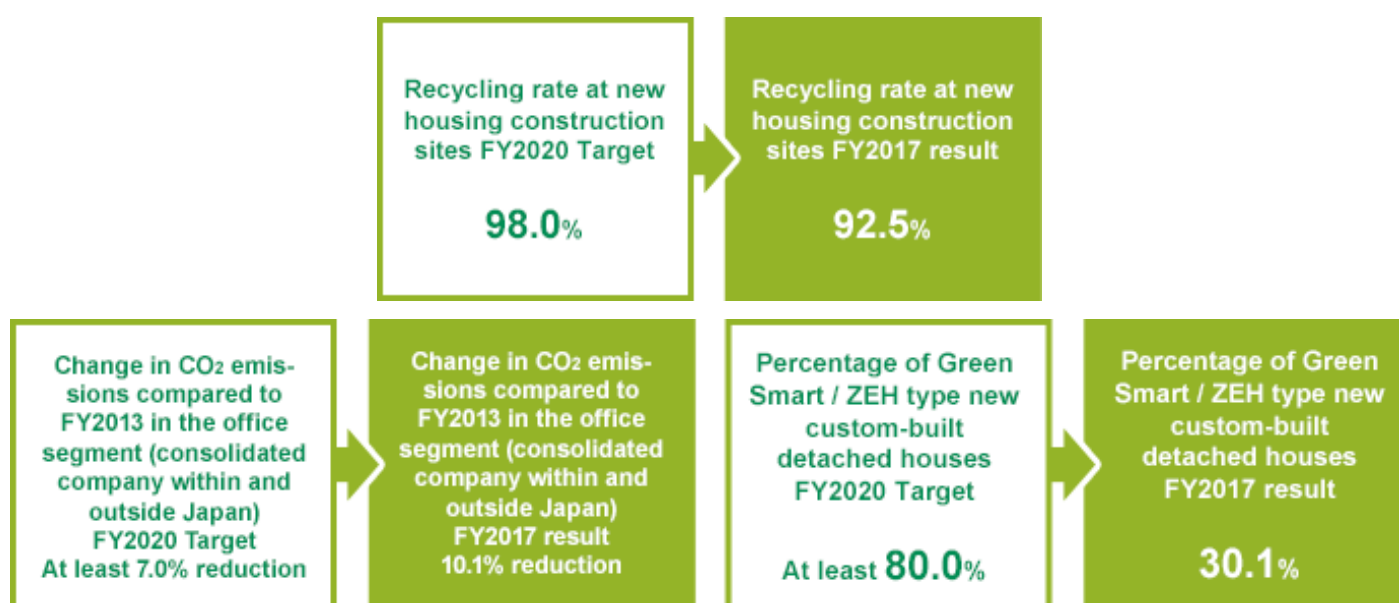
Global Environment

The Sumitomo Forestry Group prioritized the global environment in both the direct and indirect impact its business activities have on the world. The Group established its Environmental Philosophy in December 1994 and Group-wide Environmental Policies in October 2000.

We also formulated the Mid-Term Environmental Management Plan (FY2010-FY2014) with Mid-term environmental targets for the first time in fiscal 2009 and established the Mid-Term CSR Management Plan (FY2015-FY2020) that includes environmental targets in fiscal 2014. The plan is incorporated into CSR budgets as numerical targets for each fiscal year and activities with consideration to the environment are steadily enhanced through implementation of the PDCA (plan-do-check-act) cycle at each organization.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> Preserving the natural environment and biodiversity Reducing the environmental impact of business activities Developing and providing products and services with minimal environmental impact 	<ul style="list-style-type: none"> Providing an environment for business Supplying and standardizing environmentally-friendly housing Acting as volunteers in building forests such as in reforestation Carrying on a dialogue with NPOs/NGOs Conducting environmental and social contribution activities linked to NPOs/NGOs

Relevant Targets and Performance



Global Society and Local Communities

The Sumitomo Forestry Group recognizes the importance of contributing to the growth of local communities as well as protecting the local forest resources when starting and expanding businesses.

Therefore, we work to build an infrastructure for smooth operations and business expansion in each country and region by engaging in local social contribution activities and activities that focus on efforts, such as dialogue and cooperation with the local community in the promotion of overseas businesses.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> Contributing to solutions to both global and local challenges in society 	<ul style="list-style-type: none"> Participating in employee volunteer activities Supporting the formation of communities through social contribution activities Preparation of Regional Infrastructure

Relevant Targets and Performance

Expenditure on social
contribution activities
FY2017

Approx. **189**
million yen

Social contribution
donations
FY2017

Approx. **215**
million yen

Cumulative numbers
of visitors to Manabi
no Mori
FY2017

1,547

Number of children
participated in Manabi
no Mori Environmen-
tal Education Pro-
gram FY2017

1,003

Initiatives to Achieve Sustainable Development Goals (SDGs)

The Sumitomo Forestry Group contributes through various activities that consider the business activities and relevance to the Group's CSR material issues by supporting SDGs as a company that is growing its businesses globally.

Endorsement of SDGs

Sustainable Development Goals (SDGs) was adopted at the United Nations General Assembly in 2015. SDGs have the objective of achieving 17 goals with 169 targets that include poverty, inequality, education and the environment in all regions of both developing and developed nations founded in the success of Millennium Development Goals (MDGs) adopted in 2000 with the aim of realize a better global society by 2015.

The Sumitomo Forestry Group mainly contributes to various activities relevant to the Group's CSR material issues by supporting these goals as a company that is growing its businesses globally.



Promotion System

The Sumitomo Forestry Group has established a new Sustainability Committee as of fiscal 2018 and conducts progress management of the Mid-Term CSR Management Plan, which incorporates business strategies to contribute to reaching these SDGs.

*Information about the Sustainability Committee is included in "Corporate Governance."

► [Sustainability Committee](#)

SDGs and Group CSR Material Issues

SDGs	SDGs Group CSR Material Issues and Basic Strategies	Specific Target Examples and Initiatives
	Material Issue 3 > Promote fair employment and treatment Material Issue 5 > Improve safety and quality	Highlight 3: Biodiversity Conservation (Target 3.8)
	Material Issue 3 > Promote fair employment and treatment	Highlight 6: Promotion of Work Style Reforms (Target 5.1)
	Material Issue 2 > Low-carbon society	Highlight 5: Renewable Energy (Target 7.2)
	Material Issue 3 > Promote fair employment and treatment	Highlight 6: Promotion of Work Style Reforms (Target 8.5)
	Material Issue 2 > Low-carbon society Material Issue 2 > Recycling society Material Issue 5 > Improve safety and quality	Highlight 3: Biodiversity Conservation (Target 11.3)
	Material Issue 1 > Environmentally responsible society Material Issue 2 > Low-carbon society Material Issue 2 > Recycling society Material Issue 5 > Improve safety and quality	Highlight 4: Responsible Timber Procurement (Target 12.2)
	Material Issue 1 > Environmentally responsible society Material Issue 2 > Low-carbon society	Highlight 1: Adapting to Climate Change (Target 13.1)
	Material Issue 1 > Environmentally responsible society Material Issue 2 > Low-carbon society	Highlight 4: Responsible Timber Procurement (Target 15.2)

Promoting Understanding of SDGs

The Sumitomo Forestry Group organizes contributions toward achieving SDGs via Group CSR material issues and the Mid-Term CSR Management Plan in addition to providing education such as workshop-type training to facilitate understanding of the SDGs. In fiscal 2018, we evaluated our contributions to reach SDGs through businesses and technology at each division and research institute with the purpose of setting specific targets.

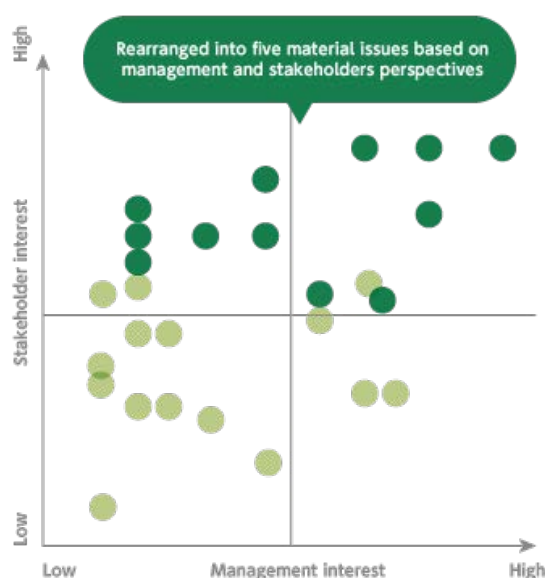
CSR Material Issues and Mid-Term CSR Management Plan

Identifying Sumitomo Forestry Group CSR Material Issues

Following changes in the economic, environmental and social situation, in March 2015, the Sumitomo Forestry Group identified new CSR material issues to replace the ones specified in 2008.

The Group surveyed both internal and external stakeholders as well as outside experts, receiving responses from about 2,700 people. In preparing the questionnaire, 27 issues most closely related to the Sumitomo Forestry Group were specified, based on the Sumitomo Forestry Group's Corporate Philosophy and Action Guidelines, and taking into account such matters as ISO 26000, the international standard on the social responsibility of organizations, and evaluation points linked to socially responsible investment (SRI).

After incorporating management perspectives, the survey results were mapped out against axes of "management" and "stakeholders," before determining the materiality of each issue. 12 of these issues were identified as being highly material, and rearranged into 5 issues for the Sumitomo Forestry Group CSR Material Issues.



Sumitomo Forestry Group CSR Material Issues

1. Continue to procure wood and materials that take sustainability and biodiversity into consideration
2. Promote the reduction of the environmental impact of our business activities
3. Promote development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality
4. Strengthen and promote risk management and compliance mechanisms
5. Promote the development and sales of products and services that are safe, reliable and environmentally conscious

Sumitomo Forestry Group Mid-Term CSR Management Plan

In March 2015, the Sumitomo Forestry Group formulated the Sumitomo Forestry Group Mid-Term CSR Management Plan with fiscal 2020 as its target year.

The Plan sets basic strategies and specific targets aimed at resolving the five “Sumitomo Forestry Group CSR Material Issues” which were mapped out based on “management” and “stakeholders” perspectives. Regarding social and environmental issues to be accomplished by fiscal 2020, each Group company and department has commenced initiatives starting in fiscal 2015 aimed at achieving targets segmentalized for each fiscal year based on an annual numerical target of set in the CSR budget.

In addition, we have revised a portion of this plan in fiscal 2017 to add environmental evaluation metrics and redefine indicators as well as other information according to factors such as a growing interest in ESG and changes in the environment surrounding our businesses.

The Sumitomo Forestry Group fully implements a PDCA cycle for the progress and achievements each fiscal year based on the Sumitomo Forestry Group's Mid-Term CSR Management Plan by confirming the progress and achievements at the Sustainability Committee convened four times a year in addition to providing reports to the Board of Directors.

The Sumitomo Forestry Group aims to promote CSR management even further.



- ▶ Material Issue 1: Continue to procure wood and materials that take sustainability and biodiversity into consideration
- ▶ Material Issue 2: Promote the reduction of the environmental impact of our business activities
- ▶ Material Issue 3: Promote the development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality
- ▶ Material Issue 4: Strengthen and promote risk management and compliance mechanisms
- ▶ Material Issue 5: Promote the development and sales of products and services that are safe, reliable and environmentally conscious

Material Issue 1: Continue to procure wood and materials that take sustainability and biodiversity into consideration

Basic policy

With businesses centered on wood, Sumitomo Forestry Group promotes sustainable forest management and timber procurement both domestically and abroad. In addition, given our direct business involvement in forests, which nurture biodiversity, the Group has set biodiversity as one of our CSR material issues for achievement by 2020.

Due to the influx of illegally logged timber to markets with lax regulations, as well as the indiscriminate diversion of land for the increased production of such food products as palm oil, soybeans and beef in Brazil, Indonesia, Malaysia and other countries, the world's forest areas continue to decrease. Against this backdrop, countries around the world are adopting or reinforcing regulations to eliminate illegally logged timber from the markets. Further stronger measures to counter illegal logging are expected to be implemented globally. On the other hand, with the increased aging of and decline in the number of forestry workers, there are concerns that some of Japan's forests, in particular plantations, may be left to waste.

To resolve this problem of diminishing forest areas around the world, in May 2017, the Clean Wood Act was implemented to promote the distribution and use of logged timber and processed products that abide by regulations in Japan and the country of origin. In November 2017, Sumitomo Forestry was registered as a "Type 1 Certified Timber-Related Business Operator" by the certification organization Japan Gas Appliances Inspection Association.


Sumitomo Forestry Group is striving for the establishment of forest management that increases the handling of sustainable timber, the utilization of sustainable forest resources through confirmation of legality, and the maintenance of biodiversity. To fulfill this and for the valuation of natural capital, the Group has set out the following KPI and hopes to contribute to resolving these ever-growing societal issues.

Progress of the Mid-Term CSR Management Plan

Related SDGs



Current awareness of issues and basic strategies		Evaluation metrics	FY2017 target	FY2017 result	Rating	FY2018 target	FY2020 target
Environmentally responsible society	Increase volume of sustainable wood handled, and utilize sustainable forest resources by verifying legal compliance	Percentage of certified timber among all imported timber sold (%)	11.0	12.8	○	12.0	12.0
		Volume of exported Japanese timber (thousand m ³)	100	120	○	183	200
		Volume of plantation timber, certified timber, and Japanese timber handled at distribution hubs overseas (thousand m ³)	964	1,163	○	626	783
		Volume of fuel wood chips handled (thousand m ³)	861	847	△	1,316	800 ^{*1} (1,380)
		Volume of certified timber (by SGECC) handled at distribution hubs in Japan (thousand m ³)	60	78	○	68	85
		Volume of unused wood resource handled from Japanese timber (kt)	200	286	○	236	185 ^{*1} (236)
		Percentage of Japanese timber used for new custom-built detached housing (Housing & Construction Businesses)	72.0	71.0	△	71.0	75.0
		Percentage of the Multi-Balance Construction Method (%)					
		Percentage of the Big-Frame Construction Method (%)	51.0	50.0	△	50.0	55.0

Current awareness of issues and basic strategies		Evaluation metrics	FY2017 target	FY2017 result	Rating	FY2018 target	FY2020 target
		Percentage of reviews conducted for wood product suppliers who handle directly imported timber and wood products with verified legal compliance (%) (Timber and wood product department)	100	100	○	100	100
	Establish forestry management that enables conservation of biodiversity, and value as natural capital	Percentage of certified (by SGECC) forests in newly acquired forests managed by the Group (%)	100	100	○	100	100
		Number of native species planted at new detached housing sites (trees)	35,000	31,248 	△	36,000	210,000 / 6 years

*1 Original target of the Mid-term Plan. Based on the FY2017 results, the FY2020 target was revised upwardly.

*Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

▶  [About symbol for Independent assurance](#)

Material Issue 2: Promote the reduction of the environmental impact of our business activities

Basic policy

With the impact of climate change becoming increasingly problematic on a global scale, companies are being asked to reduce greenhouse gas emissions and implement energy saving initiatives. In Japan, the Basic Energy Plan of July 2018 set out a policy goal of having “more than 50% of new custom-built detached houses built by housing manufacturers and others to be ZEH (Net Zero Energy Houses) by 2020, and to have all newly built houses be ZEH on average by 2030.” In addition, as part of the roadmap to popularize ZEH and achieve this average by 2030, major companies involved in the construction of detached houses are being asked to popularize ZEH on their own through the supply of large volumes of ZEH.

Sumitomo Forestry Group has operations in the housing business and in the manufacture of wood panels and building materials. In consideration of the environmental impact of these operations, the Group fully recognizes the importance of reducing greenhouse emissions and taking other measures to combat climate change through the promotion of strict energy-saving activities, renewable energy use and other efforts. With a mid- to long-term perspective of the future, in 2018, we established greenhouse gas emission reduction goals for 2030.

In our housing business, we have set a fiscal 2020 target for an 80% ratio of ZEH. Starting in April 2017, we have promoted the popularization of ZEH by adding reinforced insulation for the building and aperture area and solar power energy generation systems as standard specifications for newly built houses. In addition, to reduce environmental burden and more effectively utilize natural resources, we are promoting the reduction, reuse and recycling of industrial waste.

With the establishment of new KPIs, we are also working to further revitalize our activities and reduce risk.

Progress of the Mid-Term CSR Management Plan



Current awareness of issues and basic strategies		Evaluation metrics		FY2017 target	FY2017 result	Rating	FY2018 target	FY2020 target
Low-carbon society	Reduction of CO ₂ emissions in the Group	In the office segment (consolidated company within and outside Japan)	Change in CO ₂ emissions compared to FY2013 (%)	7.2 reduction Total emissions 32,887 t-CO ₂	10.1 reduction Total emissions 31,871 t-CO ₂	○	11.4 reduction Total emissions 31,407 t-CO ₂	At least 7.0 ^{*1} (16.0) reduction
		Sumitomo Forestry (offices in Japan)		13.3 reduction	18.7 reduction	○	19.4 reduction	
		Affiliated companies in Japan (offices)		1.3 reduction	4.6 reduction	○	1.8 reduction	
		Affiliated companies outside Japan (offices)		+3.4	+14.0	×	3.0 reduction	
		Kutai Timber Indonesia (Indonesia)	Change in CO ₂ emissions per production volume compared to the previous year (%)	0.9 reduction	10.8 reduction	○	+0.8	At least 1% reduction per year on average per production volume in FY 2015 - 2020
		Vina Eco Board (Vietnam)		7.4 reduction	+38.0	×	23.9 reduction	
		AST Indonesia (Indonesia)		8.5 reduction	+9.0	×	4.1 reduction	
		Nelson Pine Industries (New Zealand)		+2.7	5.8 reduction	○	+23.7	
		Rimba Partikel Indonesia (Indonesia)		10.1 reduction	9.6 reduction	△	0.5 reduction	

Current awareness of issues and basic strategies		Evaluation metrics	FY2017 target	FY2017 result	Rating	FY2018 target	FY2020 target
	Reduction of CO ₂ emissions outside the Group (products, service recipients)	Percentage of Green Smart houses (%) (Number of Green Smart houses when an order is placed for new custom-built detached housing / total number of houses ordered)	70.0	69.4	△	73.0	At least 80.0
		Percentage of Green Smart / ZEH type new custom-built detached houses (%) (Number of Green Smart / ZEH type when construction started/total number of houses that started construction)* ²	35.0	30.1	△	45.0	At least 80.0

*1 Original target of the Mid-term Plan. Based on the FY2017 results, the FY2020 target was revised upwardly.

*2 The calculation method for indicators differs from the ZEH standardization results (FY2017) published on the Sumitomo Forestry ZEH website (<http://sfc.jp/ie/lineup/smart/zeh/>).

* Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

▶ About symbol for Independent assurance

Related SDGs



Current awareness of issues and basic strategies		Evaluation metrics	FY2017 target	FY2017 result	Rating	FY2018 target	FY2020 target
Recycling society	Recycling society Achieve zero emissions	Recycling rate at new housing construction sites (%)	92.0	92.5	○	93.9	98.0
		Recycling rate at remodeling sites (%)	79.4	76.2	△	77.6	80.0
	Reduce volume of industrial waste generated	Reduction in industrial waste generated at new housing construction sites compared to FY 2013 (%)	26.0 reduction	15.5 reduction	×	20.6 reduction	30 reduction
		Change in industrial waste per sales cost* ¹ compared to FY 2014 (%)	3.5 reduction	+5.2	×	+1.9	At least 2 reduction

*1 Cost of in-house sales for manufacturing facilities in Japan

* Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

▶ About symbol for Independent assurance

Economic Effect Seen by Promoting the Reduction of the Environmental Impact of Our Business Activities

Effects		Value (million yen)
Income	Profit on sold for value	41
Cost Reduction	Cost Reduction Amount saved as a result of energy-saving efforts *Include the fluctuation of petroleum price	135
	Amount saved as a result of waste reduction efforts	72
Total		248

Material Issue 3: Promote the development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality


Basic policy

The Sumitomo Forestry Group aims to foster a safe and healthy workplace environment where motivated employees can be actively involved without regards to gender, age, nationality, race, religion or disability. In an endeavor to actively engage female employees in particular, the Group released the "Sumitomo Forestry Group Declaration on Empowering Women." It was issued to the entire Group under the name of the President, and has been the basis for subsequent efforts.

Progress of the Mid-Term CSR Management Plan



Current awareness of issues and basic strategies	Evaluation metrics		FY2017 target	FY2017 result	Rating	FY2018 target	FY2020 target
Promote fair employment and treatment	Female employees in management positions (%)	Sumitomo Forestry	3.3	3.2	×	At least 3.8	At least 5
		Consolidated in Japan	-	4.6	-	-	-
	Female employees including contract employees (%)	Sumitomo Forestry	20.0	20.4	○	At least 20	At least 20
		Consolidated in Japan	-	31.6	-	-	-
	Ratio of Disabled Employees (%) ^{*1}	Sumitomo Forestry	2.2	2.26	○	At least 2.2	At least 2.0 ^{*2} (2.2)
		Consolidated in Japan	2.0	1.75	×	Target set by each company	

Current awareness of issues and basic strategies	Evaluation metrics		FY2017 target	FY2017 result	Rating	FY2018 target	FY2020 target
Promote work-life balance	Paid leave usage	Sumitomo Forestry (days)	10	9	×	At least 10	At least 10
		Consolidated in Japan (%)	Target set by each company	43.9		Target set by each company	50
	Overtime working hours (Reduction from the average overtime working hours in FY2013) (% reduction)	Sumitomo Forestry	14.8	20.7	○	25.2	30
Strengthen occupational health and safety	Number of occupational injuries in Company-owned forests (incidents) *3	Sumitomo Forestry	0	1	×	0	0
	Number of occupational injuries at new construction sites (incidents) *4	Sumitomo Forestry	0	9 	×	0	0
	Number of occupational injuries in other places (incidents) *4	Consolidated in Japan	Target set by each company	2	-	Target set by each company	0

*1 Data as of June 2017

*2 Original target of the Mid-term Plan. Based on the FY2017 results, the FY2020 target was revised upwardly.

*3 Number of occupational injuries involving contractors at work sites in Company-owned forests

*4 Number of cases covered by temporary absence with work compensation benefits under the Industrial Accident Compensation Insurance Act

▶  [About symbol for Independent assurance](#)

Material Issue 4: Strengthen and promote risk management and compliance mechanisms

Basic policy

We are working to reinforce the mechanism for managing business risk—which also encompasses Group companies—by constantly managing prioritized risks through the Risk Management Committee.

Progress of the Mid-Term CSR Management Plan

Current awareness of issues and basic strategies	FY2017 target	FY2017 result	Rating	FY2018 target	FY2020 target
Strengthen risk management framework	Check the progress on the 41 prioritized risk items at the quarterly Risk Management Committee meeting.	Reviewed target items and shared case reports on emerging risks at the monthly Board of Executive Officers meetings.	○	Check the progress on the 45 prioritized risk items at the quarterly Risk Management Committee meeting.	Manage risks by using prioritized risk items set by the Risk Management Committee.

* Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

Material Issue 5: Promote the development and sales of products and services that are safe, reliable and environmentally conscious

Basic policy

Sumitomo Forestry believes that popularizing durable, high-quality houses as social assets plays an important role in creating a prosperous society. In addition, Sumitomo Forestry actively promotes the use of the Excellent Long-term Housing Certification and the Japanese Housing Performance Indication System for customer's peace of mind and safety and in order to enhance property value.

Progress of the Mid-Term CSR Management Plan

Related SDGs						
<div> <div>3 GOOD HEALTH AND WELL-BEING</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> </div>						
Current awareness of issues and basic strategies	Evaluation metrics	FY2017 target	FY2017 result	Rating	FY2018 target	FY2020 target
Improve safety and quality	Ratio of design performance evaluations implemented for new custom-built detached housing (%)	At least 90.0	98.9	○	99.0	90.0 ^{*1} (99.0)
	Ratio of construction performance evaluations implemented for new custom-built detached housing (%)	At least 90.0	97.9	○	99.0	90.0 ^{*1} (99.0)
	Ratio of houses certified as Excellent Long-term Housing for new custom-built detached housing (%)	At least 90.0	93.3	○	97.0	90.0 ^{*1} (97.0)
Improve communication with customers	Pass rate for after-sales maintenance advisors and housing inspectors (%) (All persons assigned to Sumitomo Forestry Home Tech Co., Ltd. in charge of maintenance)	100	100	○	100	100
	Ratio of early completion of handing the as-built drawing for new custom-built detached housing (%)	83.0	83.0	○	85.0	90.0

^{*1} Original target of the Mid-term Plan. Based on the FY2017 results, the FY2020 target was revised upwardly.

^{*}Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

Governance

Corporate Governance

Risk Management

Compliance

Business Continuity Management

Sharing, Protection, and Security of Information

Intellectual Property Management

Return to Shareholders and IR Activities

Corporate Governance

Basic Concepts of Corporate Governance

The Sumitomo Forestry Group utilizes timber friendly to people and the global environment and contributes to a prosperous society through all types of housing-related services according to the Sumitomo Spirit to be beneficial to society based on the principles of integrity and sound management. Therefore, we strive to ensure management transparency, sound and legal business practices as well as rapid decision-making and business execution.

By further enhancing and strengthening its corporate governance through these efforts, the Company aims to continuously increase its corporate value and conduct management that lives up to expectations of various stakeholders around the Group.

► [Integrated Report](#)

Corporate Governance and Internal Control

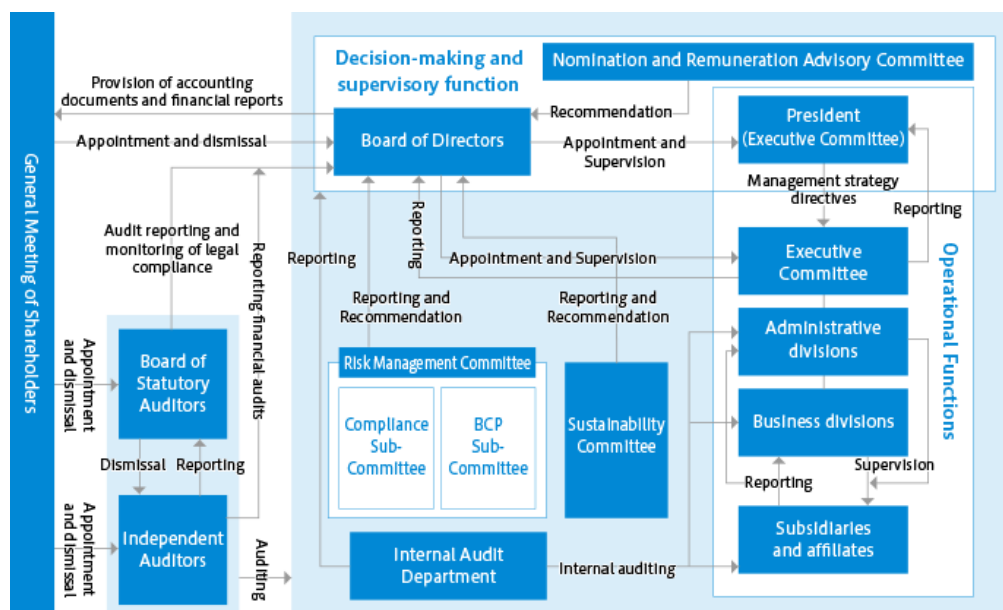
Sumitomo Forestry introduced the executive officer system to separate decision making and management oversight from operational execution functions. Comprised of ten directors (nine male, one female) including two outside directors (one male, one female), the Board of Directors is structured to take quick decisions. The oversight function of the Board of Directors has been strengthened, the lines of operational responsibility clarified, and the Chairman of the Board of Directors no longer serves as an executive officer. Nomination and Remuneration Advisory Committee has been established to provide advice to the Board of Directors on selecting director and auditor candidates and executive officers as well as compensation of directors and executive officers, for the purpose of ensuring transparency and fairness of decision-making. Sumitomo Forestry has a board of company auditors.

In addition to attending important meetings within the Company, the auditors provide oversight for the directors' execution of duties, through sharing information and opinions with auditors at Group companies and the staff in the Internal Audit Division, and by supervising staff assisting auditing operations.

As of June 22, 2018, ten directors (including two outside directors), five auditors (including three outside auditors) and 20 executive officers had been appointed to the Company. The Company notified Tokyo Stock Exchange, Inc. of the designation of the two outside directors and three outside statutory auditors as independent officers as required by its regulations.

- [Basic Policy on Corporate Governance](#) 
- [Corporate Governance Report](#) 
- [Directors and Executive Officers](#)

Corporate Governance Structure



Board of Directors and Executive Committee

In principle, the Board of Directors meets once a month, making decisions and carrying out its supervisory function for important issues in accordance with its discussion standards. In addition to making decisions on all important items and confirming business results, it supervises the directors' execution of their duties. Directors and statutory auditors are required to maintain an attendance rate of 75% or higher as a general rule.

The Executive Committee, which is an advisory body for the President, holds meetings twice a month, before the Board of Directors meeting to ensure that there is sufficient prior discussion on important issues. It is attended by those directors who also serve as executive officers, as well as the full-time statutory auditors as a general principle.

The Company ensures prompt decision-making and separation of supervision and operational execution functions, for effective performance of the Board of Directors. Board of Directors meetings were held 15 times while Executive Committee meetings were held 25 times in fiscal 2017.

Attendance of Directors at Meetings of the Board of Directors (FY2017)

Name and Responsibility/Expertise			Board of Directors	
			Attended Meetings (meetings)	Attendance Rate (%)
Chairman of the Board and Representative Director	Ryu Yano	-	15	100
President and Representative Director	Akira Ichikawa	President and Executive Officer	15	100
Representative Director	Shigeru Sasabe	Executive Vice President and Executive Officer Overseeing of Environment and Resources Division, and Divisional Manager of Overseas Housing and Real Estate Division	15	100
Representative Director	Tatsuru Satoh	Executive Vice President and Executive Officer In charge of General Administration, Personnel, Information Systems, Intellectual Property, Internal Audit, Tsukuba Research Institute, and Overseeing of Corporate Planning, Finance, Corporate Communications, CSR	15	100
Director	Ken Wada	Senior Managing Executive Officer Supervisor of Lifestyle Service In charge of TOP (Tokyo Olympics Paralympics) 2020, Secretarial, External Relations, and Lifestyle Service Division	15	100
Director	Toshiro Mitsuyoshi	Senior Managing Executive Officer In Charge of Tohoku Reconstruction Support Department and Divisional Manager of the Housing and Construction Division	15	100
Director	Akihisa Fukuda	Managing Executive Officer Divisional Manager of Timber & Building Materials Division	15	100
Director	Hitoshi Hayano	Executive Officer Supervisor of Internal Auditing	15	100
Outside Director	Junko Hirakawa	Lawyer Partner of City-Yuwa Partners	15	100
Outside Director	Izumi Yamashita		14	93

* The areas each is in charge as well as their expertise is current as of April 1, 2018

Structure of the Board of Directors

The Board of Directors is composed of 17 individuals in a structure built on expertise, such as knowledge, experience, skill, and diversity. Sumitomo Forestry considers diversity such as gender and nationality as well as expertise which includes those who have a wealth of experience and success in the operations of the Sumitomo Forestry Group, those who have a wealth of experience and success in business such as corporate management, industry and policy and those who have specializations such as law and accounting.

Nomination Procedure for Directors

Director candidates are selected at the Board of Directors from the pool of personnel with superior personality trait and acumen, and potential value to the Company, consulting with the Appointment and Remuneration Advisory Committee. Summaries of background and interlocking status of the directors are available on the website.

Outside Directors

In the selection procedure of outside directors, candidates must not be applicable to any of the below listed criteria to insure their independence to the Company.

Two of our current outside directors are considered independent based on the above list of independency criteria, not to pose a conflict of interest with general shareholders.

1. Company's operations executives

Executive director, executive officer, operating officer, manager, or other directly hired person by the Company, its subsidiary, or its affiliate (herein; "operations executives").

2. Consultants

(1) Employee, partner, or any other staff hired by an auditing firm who provide auditing services for the Company or its subsidiaries.

(2) lawyer, certified accountant, tax accountant, or other consultant whose annual compensation and other forms of monetary benefits given by the Company or its subsidiaries, exclusive of director's remuneration, has exceeded ten million yen in the past three years.

(3) employee, partner, associate, or other staff hired by a law, auditing, tax law, consulting or any other advisory firm whose major client is the Company or its subsidiaries. (The major client means a company's received payment in a year by the Company or its subsidiaries has exceeded 2% of its consolidated total sales in the past three years.)

3. Major shareholder (non-owner)

Person who directly and or indirectly holds 10% or more of the voting power of the Company; i.e. operations executive if a holder is a company.

4. Major shareholder (owner)

Operations executive of a company which holds 10% or more of the voting power of the Company or its subsidiaries.

5. Business Partners

(1) Client (major clients): person or operations executive of a client whose purchase exceeds 2% of the consolidated total sales of the Company

(2) Supplier (of which the Company is a major client): person or operations executive of a supplier of which the Company's purchase exceeds 2% of the consolidated total sales of the supplier

6. Lender

Lender from which the Company's borrowing exceeds 2% of the consolidated total asset of the company; i.e. operations executive in case of a company

7. Recipient of contribution

Individual or operations executive of a corporate recipient of a donation from the Company or its subsidiaries

whose annual average amount exceeds ten million yen or 2% of total income of the recipient in the last three years.

8. Family

Spouse, next of kin within the second degree, or live-in member of a family of the person whose independency is rejected by this list of criteria

9. Background Item

1 is applicable in at any time in the past 10 years, or Item 2 or 7 is applicable at any time in the past 5 years.

10. Inter-assumption of outside executive officer

Executive director or statutory auditor of a company whose executive directors or statutory auditors include the Company or its subsidiary's

► Directors and Executive Officers

Analysis, Assessment and Results for the Effectiveness of the Board of Directors

We assessed the effectiveness of the Board of Directors by conducting an analysis of each Director through deliberation at the Board of Directors meeting while exchanging opinions between the outside Directors and outside Auditors about the Board of Directors.

As a result, to facilitate active discussions at the Board of Directors meetings, we have been able to maintain a full-fledge support system for outside executive officers which leads to lively debate leveraging diverse experience and expertise, such as implementing advanced explanation of matters and opportunities to observe operations both in Japan and overseas. Furthermore, thanks to the identification of an issue in our efforts to assess the effectiveness of the Board of Directors in fiscal 2016, we were able to ensure success of the Board of Directors meetings as a whole for initiatives that included establishing opportunities for an exchange of ideas with outside executive officers about medium to long-term business strategies.

On the other hand, we have received feedback for the need to discuss governance to protect our actions (stronger risk management, internal controls, etc.) as well as further debate about medium to long-term business strategies in accordance with active new investments for growth.

We will strive to further improve the effectiveness at Board of Directors meetings by continually working to heighten the level of discussion with awareness toward highlighted topics in the future.

Board of Statutory Auditors

The Board of Statutory Auditors meets to discuss and make decisions on important matters regarding audits. The five auditors, including the three outside auditors, utilize the deep insights and diverse perspectives they have acquired from their various business backgrounds to provide oversight for the directors' execution of duties. The Board of Statutory Auditors met 14 times during fiscal 2017.

The appropriate human resources are also appointed as auditors at our main subsidiaries for the purpose of improving the effectiveness of auditing and informational exchange at these companies. Meetings of Statutory Auditors of Sumitomo Forestry and its subsidiary companies are held with members composed of full-time statutory auditors of Sumitomo Forestry as well as auditors of our main subsidiaries. The Board of Statutory Auditors met five times during fiscal 2017.

Outside Auditors

In the selection procedure of outside auditors, candidates must not be applicable to any of the below listed criteria to insure their independence to the Company.

Three of our current outside auditors are considered independent based on the above list of independency criteria, not to pose a conflict of interest with general shareholders.

1. Company's operations executives

Executive director, executive officer, operating officer, manager, or other directly hired person by the Company, its subsidiary, or its affiliate (herein; "operations executives").

2. Consultants

(1) Employee, partner, or any other staff hired by an auditing firm who provide auditing services for the Company or its subsidiaries.

(2) lawyer, certified accountant, tax accountant, or other consultant whose annual compensation and other forms of monetary benefits given by the Company or its subsidiaries, exclusive of director's remuneration, has exceeded ten million yen in the past three years.

(3) employee, partner, associate, or other staff hired by a law, auditing, tax law, consulting or any other advisory firm whose major client is the Company or its subsidiaries. (The major client means a company's received payment in a year by the Company or its subsidiaries has exceeded 2% of its consolidated total sales in the past three years.)

3. Major shareholder (non-owner)

Person who directly and or indirectly holds 10% or more of the voting power of the Company; i.e. operations executive if a holder is a company.

4. Major shareholder (owner)

Operations executive of a company which holds 10% or more of the voting power of the Company or its subsidiaries.

5. Business Partners

(1) Client (major clients): person or operations executive of a client whose purchase exceeds 2% of the consolidated total sales of the Company

(2) Supplier (of which the Company is a major client): person or operations executive of a supplier of which the Company's purchase exceeds 2% of the consolidated total sales of the supplier

6. Lender

Lender from which the Company's borrowing exceeds 2% of the consolidated total asset of the company; i.e. operations executive in case of a company

7. Recipient of contribution

Individual or operations executive of a corporate recipient of a donation from the Company or its subsidiaries whose annual average amount exceeds ten million yen or 2% of total income of the recipient in the last three years.

8. Family

Spouse, next of kin within the second degree, or live-in member of a family of the person whose independency is rejected by this list of criteria

9. Background Item

1 is applicable in at any time in the past 10 years, or Item 2 or 7 is applicable at any time in the past 5 years.

10. Inter-assumption of outside executive officer

Executive director or statutory auditor of a company whose executive directors or statutory auditors include the Company or its subsidiary's

Attendance of Auditors at the Board of Directors and the Board of Auditors (FY2017)

Name and Expertise			Board of Directors		Board of Statutory Auditors	
			Attended Meetings (meetings)	Attendance Rate (%)	Attended Meetings (meetings)	Attendance Rate (%)
Statutory Auditor	Hidekazu Tanaka		15	100	14	100
Statutory Auditor	Noriaki Toi		15	100	14	100
Outside Auditor	Satoshi Teramoto	Certified Public Accountant	13	87	13	93
Outside Auditor	Katsuhide Kurasaka	Senior Advisor of Sumitomo Electric Industries, Ltd.	15	100	14	100
Outside Auditor	Yoshitsugu Minagawa	Chief Counselor, Norinchukin Research Institute Co., Ltd.	14	93	14	100

* Their expertise is current as of April 1, 2018

Nomination and Remuneration Advisory Committee

The board of directors will set up a Nomination and Remuneration Advisory Committee as an advisory body to the board to develop a fair and transparent corporate governance system. The Committee will consist of the Chairman, the President, and all outside executives (two outside directors and three outside auditors) where the majority must be outside executives, and the chairperson must be an outside director.

The Board of Directors determines the directors and executive officers' remunerations within the amount specified by resolution of the general meeting of shareholders, taking into consideration the opinions stated by the Nomination and Remuneration Advisory Committee.

Risk Management Committee

Information regarding the Risk Management Committee is found in "Risk Management/ Risk Management Structure."

In fiscal 2017, the CSR and Risk Management Committee*, the Compliance Subcommittee, and the BCP Subcommittee met four times, twice, and four times, respectively, while the Board of Directors received four sessions of reporting.

* Since fiscal 2017, the CSR and Risk Management Committee has been a place of cooperation and informational sharing from a CSR perspective not only from the perspective of conventional risk management but also issues such as the management progress of challenges in CSR initiatives that is organized as a traditional risk management committee which includes the necessary promotion of CSR management. As of fiscal 2018, the conventional name was revised following the establishment of the Sustainability Committee.

► [Risk Management Framework](#)

Sustainability Committee

The new Sustainability Committee was established in fiscal 2018 based on the growing requirements for medium to long-term initiatives and informational disclosure about the Environment, Society and Governance (ESG).

The Sustainability Committee is made up of executive officers, directors and divisional managers with the President acting as the Committee chairperson. The Committee is convened four times a year to formulate and promote initiatives for medium to long-term ESG challenges related to the sustainability of the Sumitomo Forestry Group in addition to conducting progress management of the Mid-Term CSR Management Plan, which incorporates business strategies toward achieving the SDGs, including monitoring of work operations and the effectiveness from the Corporate Philosophy and Action Guidelines to the Code of Conduct.

Internal Audits

Sumitomo Forestry's Internal Audit Department draws on risk assessments in selecting about 60 business sites from among the roughly 200 business sites, including subsidiaries, each year to conduct internal audits. The sites are selected by specifying an order of priority based on the two perspectives of operational risk (business results, size, complexity of business, etc.) and control risk (risk management framework).

In the internal audits, the department checks on how a site is executing its operations and managing its office work, including its compliance with laws and regulations, and it reports its findings to the President, the executive officer in charge of internal audits and to internal auditors, as well as to the manager responsible for the site and the executive officer or director in charge of the business site. Furthermore, if any indications have been made, the department checks the improvement efforts implemented at the site, such as by examining documents and conducting quarterly follow-up reviews, in accordance with the necessary compliance to laws and internal regulations and reports on these to the President and to the executive officer in charge.

► [Integrated Report](#)

Executive Remuneration

In accordance with laws and regulations, Sumitomo Forestry discloses the remuneration paid to officers (directors and auditors) each fiscal year.

Total Remuneration Paid to Directors and Auditors (FY2017)

Category	Number of Personnel	Total Amount (Million yen)
Director	10	540
Auditors	5	76
Total	15	616

*1 Total amounts of director's remuneration does not include a compensation as an employee or a compensation for the execution of other duties.

*2 Total amounts of director's remuneration includes the total bonus of 146 million yen as resolved by the 78th General Meeting of Shareholders held on June 22, 2018.

*3 Total amounts of director's remuneration includes the cost of 34 million yen allocating stock options for eight directors (excluding outside directors).

*4 Upper limits of directors and auditors' remunerations are as below.

(1) The amount of remuneration for directors of no more than 40 million yen per month (no more than 5 million yen per month for outside directors) was approved at the 76th General Meeting of Shareholders held on June 24, 2016.

(2) The amount of remuneration concerning stock acquisition rights as stock-based compensation stock option of no more than 100 million yen for directors (excluding outside directors) per year was approved at the 75th General Meeting of Shareholders held on June 23, 2015.

In addition, the abolishment of share-based payment type stock options for the transition to shares with restriction on transfer as remuneration of no more than 100 million yen was approved at the 78th General Meeting of Shareholders held on June 22, 2018.

(3) The amount of remuneration for auditors of no more than 8 million yen per month was approved at the 74th General Meeting of Shareholders held on June 20, 2014.

*5 Of the total remuneration of directors and auditor, the total amount paid to outside executives are shown in the table below

Total Remuneration Paid to Outside Executives (FY2017)

Number of Personnel	Total Amount (Million yen)
5	55

Calculation Method of Remuneration for Directors

Remuneration for directors comprises three types: monthly remuneration as basic remuneration, shares with restriction of transfer, and bonuses tied to business performance.

Remuneration for directors is determined within the monetary amount approved at the General Meeting of Shareholders by considering the level of consolidated recurring income and other management indicators.

In addition, policy decisions about the remuneration for directors and executive officers will be published in "Basic Policy on Corporate Governance".

(Monthly remuneration)

40 million yen per month (no more than 5 million yen per month for outside directors) was approved at the 76th General Meeting of Shareholders held on June 24, 2016, and this fixed amount is paid every month.

(Share-based remuneration with restriction of transfer)

The adoption of a remuneration system to allot restricted shares of transfer in addition to share-based payment type stock options was approved at the 78th General Meeting of Shareholders held on June 22, 2018. The amount of remuneration through monetary claims for the allocation of restricted shares of transfer of no more than 100 million yen for directors (excluding outside directors) per year was approved. In addition, following the approval of this proposal, the amount of remuneration for acquisition rights as share-based payment type stock options excluding shares already issued was abolished.

(Bonuses)

Bonuses are paid to directors (excluding outside directors) every year after receiving approval at the General Meeting of Shareholders.

► [Basic Policy on Corporate Governance](#) 

Tax Strategies

All of the officers and employees of the Sumitomo Forestry Group adhere to laws and regulations, social norms of behavior and corporate regulations to act with the highest regard for ethics. We have put in place policies even for tax practices and strive to maintain and enhance tax compliance through efforts that include awareness raising for employees.

The Group properly and effectively takes steps to reduce the tax burden while striving to optimize tax payments. In business dealings which may present a high tax risk, we make efforts to reduce the tax risk by preparing systems for

sufficient prior examination as well as request advice and guidance such as that from tax experts as necessary. Moreover, we do not engage in any tax strategies through interpretations or applications which stray from the meaning of the law.

Our Group strives to maintain favorable communication with the tax authorities and remains sincere and honest in all of our correspondences based in facts. In the event an issue is pointed out by the tax authorities, we investigate the cause of the problem immediately and take the appropriate measures to properly correct or improve the problem to prevent recurrence, except in cases involving a formal objection or appeal related to the measures or view of the tax authorities.

Risk Management

Risk Management Framework

In order to reinforce its framework for managing risks for the entire Group, Sumitomo Forestry has created the Risk Management Basic Regulations and has appointed the President of Sumitomo Forestry as the highest authority on risk management for the Sumitomo Forestry Group. The Regulation encompasses risks in social, environmental, and economic dimensions, comprehensively.

The Company also established the Risk Management Committee, comprised of the Company president as chairperson, together with all of executive officers. Each executive officer identifies and analyzes the priority risks to be addressed in their respective area of responsibility, including at Group companies, and formulates plans for managing those risks. These are then shared and discussed at quarterly meetings of the CSR/Risk Management Committee. Executive Officers and Directors attend this committee as it outlines and reports about the content of the activities to the Board of Directors to put in place systems representative of the business.

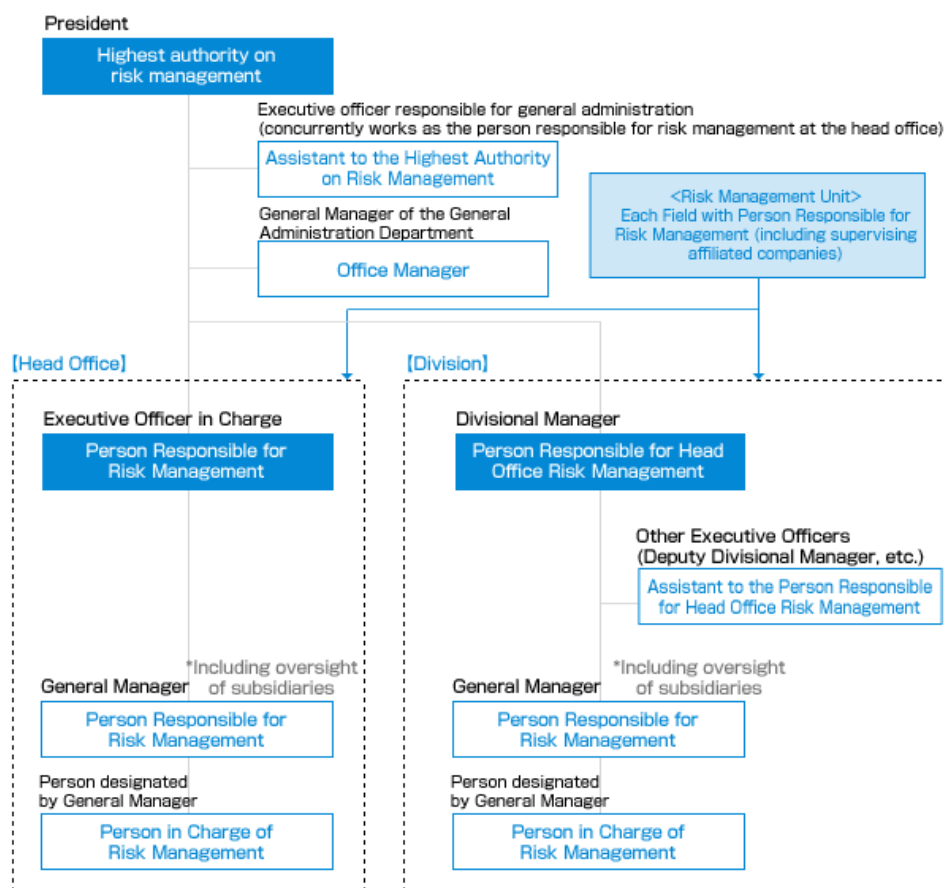
A Compliance Subcommittee and a BCP Subcommittee have also been established under the command of the Risk Management Committee. These are chaired by the general manager of the General Administration Department, and are comprised of the executives in charge of risk management at each Group company. These subcommittees carry out specific activities for increasing effectiveness against “compliance risk” in relation to the Construction Business Act and other core businesses, and against “business interruption risk” such as large-scale disasters, which are both regarded as cross-sectional risks affecting the Group.

Against risks in social, environmental, and economic dimensions specified in the Sumitomo Forestry Group Code of Conduct Rules, tangible actions have been taken to increase effectiveness. During fiscal 2017, the CSR and Risk Management Committee*, the Compliance Subcommittee, and the BCP sub-committee met four times, twice, and four times, respectively, and reports were also submitted to the Board of Directors four times.

During fiscal 2018, in order to respond properly to changes in the risks faced by the Sumitomo Forestry Group, the Company will strengthen its risk management framework, by taking stock of its managed risks and by following a PDCA cycle in making continuous improvements with respect to the priority risks selected at the beginning of each period.

* The Risk Management Basic Regulations were revised as the CSR/Risk Management Basic Regulations in fiscal 2017 to promote CSR management by strengthening the structure from not only conventional risk management but also the CSR perspective. However, with the establishment of the Sustainability Committee in fiscal 2018, the name of CSR and Risk Management Committee which was reorganized from the Risk Management Committee returned to its former name.

Risk Management Structure of the Sumitomo Forestry Group



Risks in Operations

The following risks have been identified in operations as stated on the Security Reports.

1. Trends of housing markets
2. Changes of legislative regulations
3. Competition with other corporations
4. Capital and investment strategies
5. Market status of timber, building materials and other raw materials
6. Currency fluctuation
7. Quality assurance
8. Overseas operations
9. Obligatory retirement fund
10. Stock market
11. Natural Disasters
12. Information Security
13. Environment and the relevant matters
14. Value falls of assets
15. Credit facility of business partners
16. Litigation risks
17. Funding risks

- ▶ Securities Reports/Internal Control Reports
- ▶ Compliance
- ▶ Business Continuity Management
- ▶ Environmental Risk Management

Risks Associated with Illegal Logging

Illegal logging of forests is recognized as a crucial issue globally, and progress is being made to strengthen related laws and regulations in a number of countries and regions. Japan has announced the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (Clean Wood Act) on May 20, 2016, which was enacted on May 20, 2017. Addressing stronger control of illegally logging not only responds to the requirements of the world but it is also extremely important for the Sumitomo Forestry Group to continue businesses sustainably.

Impact on the Sumitomo Forestry Group

The Sumitomo Forestry Group could jeopardize its own businesses that handle wood resources if it neglected its duty and dealt in illegally logged timber. Moreover, these actions would harm the image of the company and could directly damage our business performance such as compensation for damage and turnover.

Risk Countermeasures

The Sumitomo Forestry Group pioneered legislation in Japan and established the Timber Procurement standard in 2005 and the Timber Procurement Philosophy and Policy in 2007, to bring contributions to a sustainable society via business activities of “wood” – a renewable resource. The Company also revised the Sumitomo Group Procurement Policy to include construction materials, raw materials of products and the procurement of products in addition to timber in 2015. Furthermore, we have been conducting responsible timber procurement, which included the formulation of the Timber Procurement Management Regulations as well as the Timber Procurement Due Diligence (DD) Manual in 2018.

The Sumitomo Forestry Group has registered the departments and affiliated companies below as timber-related operators in accordance with the Clean Wood Act above to further strengthen its response to risk.

▶ [Status of Registration as Timber-related Operators Under the Clean Wood Act](#)

New Business Plan Risk Assessment

For new business and project plans that are brought for deliberation to the Board of Directors and the Executive Committee, which is the advisory body to the president, Sumitomo Forestry conducts risk assessment for the following categories, taking into account the entire supply chain. If a risk is confirmed, a report is made regarding the risk and measures to deal with it, which is used to determine implementation. In addition, the same risk assessment is recommended for new business projects that are not brought for deliberation to these meetings because they can be implemented under the jurisdiction of the respective division or affiliated company.

Environmental Aspects

1. Greenhouse Gases
2. Biodiversity Conservation (Including Verification of Protected Regions)
3. Waste
4. Water
5. Soil Contamination
6. Other

Social Aspects

1. Relationships with Companies We Do Business With
2. Human Rights Concerns for Workers and Other Stakeholders
3. Promotion of Employee Diversity
4. Prohibition of Forced Labor and Child Labor
5. Appropriate Working Hours and Wages
6. Occupational Health and Safety (OHS)
7. Impact on Local Communities (Including Concerns for Indigenous People)

Measures Addressing a Culture Highly Sensitive to Risk

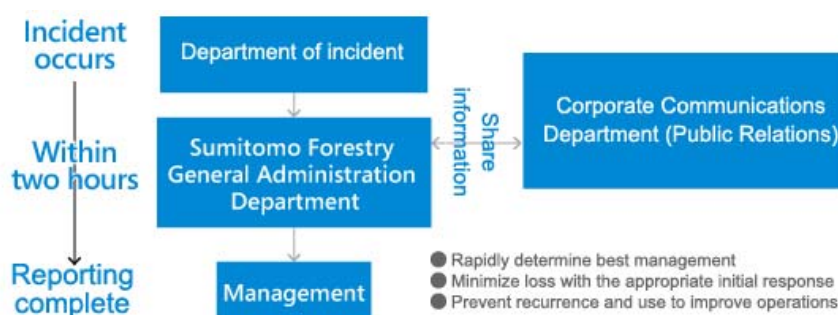
As ways to increase the sensitivity of risk in the executives and employees and in the corporate culture of the Sumitomo Forestry Group, the Group conducts e-learning each year for executives and employees as well as a risk management training for newly joined employees. In 2017, the Group introduced and shared examples from risks emerged in the past that should be noted beyond specific business departments in a meeting-type venue for people in charge of risk management at the Company and each Group company.

Rapidly Comprehending and Dealing with Risks

The Sumitomo Forestry Group operates Two-hour Rule system designed to quickly and accurately communicate information to management in the event of an emergency situation that may have a grave impact on company management. In addition to the regular reporting line, it utilizes communication via the Division responsible for risk management. Through this system, management can take the best decision speedily, ensuring an initial response which avoids loss and controls the situation. Moreover, it serves a role in collecting and accumulating reported cases and assists in improved business practice and prevention of recurrence.

Furthermore, the structure is organized so that, by sharing information with the public relations departments, important situations are disclosed to stakeholders properly and in a timely manner.

Two-Hour Rule and Use of Risk Information



Grievance desk

The Sumitomo Forestry Group provides a Customer Service Department as a help desk to handle inquire from customers and local residents near ongoing housing construction as well as a Compliance Hotline and Harassment Help Desk for employees in addition to receiving inquires such as complaints on its homepages (Japanese, English,

and Chinese). We also offer the proper response to the inquiries we receive from the Corporate Communications Department by forwarding those inquiries to the expert department at the head office and each division handling relevant operations based on the content of those inquiries.

In countries whose primary language is not Japanese such as Open Bay Timber (OBT) in Papua New Guinea, we have put in place a complaint box where anyone can file a grievance from outside the Company to receive inquiries such as complaints and requests from neighboring residents. This also puts in place a system to report issues to management as necessary.

Compliance

Basic policy

The Sumitomo Forestry Group established the new Sumitomo Forestry Group Code of Conduct as a foundation for its policies and regulations based on its Corporate Philosophy and Action Guidelines. The Sumitomo Forestry Group uses the Code of Conduct for compliance not only at its Group companies but also at its suppliers to prevent corruption such as bribery, engage in fair business practices, maintain informational confidentiality, build healthy relationships with politicians, and respect human rights.

Compliance Promotion Framework

Sumitomo Forestry established the Compliance Subcommittee as a subordinate organization under the Risk Management Committee, chaired by the general manager of the General Administration Department and comprised of the persons responsible for risk management, including those from the responsible departments at each Group company. As a cross-cutting organization across the Group, the subcommittee promotes responses to compliance risk. It has established the Group standard risk management system and tools to ensure compliance with the Construction Business Act of Japan and other laws throughout the Group, for efficient response to compliance risk.

During fiscal 2017, the subcommittee met twice, and continuing on with its Group-wide initiatives from the previous fiscal year, it worked to make continuous improvements to its compliance system, such as making a comprehensive examination of risks with respect to legal requirements, such as for business activities requiring government permits and licenses.

In addition, by acquiring the latest knowledge in the field through compliance seminars featuring external expert instructors, the Company endeavors to align the perspectives of those persons throughout the Group who are responsible for compliance, working bottom-up. The seminars also provide an opportunity to build an awareness of risks that can be shared across the Group.

These activities are outlined and reported to the Board of Directors once every quarter to build a system to reflect this information into the execution of our businesses. In addition to making monthly activity reports to auditors and internal audit divisions, any particularly important initiatives or risk information that is common to the Group is shared with the auditors in each Group company via the meetings of Statutory Auditors of Sumitomo Forestry and its subsidiary companies. Thus, the Group has developed a system for promoting compliance in its lines of business execution using internal and external approaches.

Compliance Training

In order to heighten awareness among each and every employee about compliance, Sumitomo Forestry Group conducts compliance training for new employees to promote their understanding about general compliance issues, such as traffic safety, information security and intellectual property. In fiscal 2017, training was delivered to 342 new graduate recruits and 97 mid-career recruits. Compliance training was also provided to groups of employees at specific levels, including "Training for New General Managers."

Furthermore, two e-learning courses, “Compliance and Risk Management” and “Information Security” have been set as parts of compulsory courses to be taken by all employees who can use the internal website, and employees are required to take these courses annually. In addition, each Group company in Japan and overseas also has its own arrangements for training, such as for new employees.

Compliance Counter

The Sumitomo Forestry Group is committed to creating a workplace environment equipped with a self-corrective function for catching any impropriety concealed in day-to-day operations at an early stage. To this end, the Group established the Compliance Counters (advice desks) in 2002 in order to prevent corruption such as anti-bribery, defined in the Sumitomo Forestry Group Code of Conduct.

The Group has two Compliance Counters, one within the Group (general manager of the General Administration Department is responsible) and one external to it (lawyer), ready to provide advice and receive reports via telephone or a dedicated email address. The Counters not only assist Group company employees but are available for anyone who works continuously for the Group, such as employees at collaborative workshops. As well as stipulating in the relevant regulations and user manual about the protection of rights for persons seeking advice or making reports, and informing this on the Sumitomo Forestry intranet, the user manual is also distributed to all Group employees.

In fiscal 2017, the Compliance Counters were contacted with 15 times about such topics as the workplace environments and working hours. In cases where the facts were confirmed, in addition to implementing the necessary corrective measures, initiatives were promoted aimed at preventing recurrence including using these examples in training for managers.

Manual for the Compliance Counters



► [Grievance desk](#)

Preventing Corruption

Based on the Sumitomo Forestry's Regulations for Prevention of Bribery of Officials including Public Servants, we aim preventing corruption both in Japan and overseas. The rules stipulate that monetary and other forms of benefit offering, agreement, provision, and acceptance to or from government employees are forbidden. As our basic principles, notion to facilitation payments* as well as conditions and pre-approvals for political contributions are stated.

Aiming at Group employees, the Group also facilitates dissemination of corruption and bribery prevention. One of the Company's CSR targets was the establishment of separate regulations at consolidated subsidiaries in Japan during fiscal 2014. Consolidated subsidiaries overseas will prepare regulations based on an aspect of the risk-based approach, implement staff training and promote general awareness. Subsidiaries in China have already prepared and implemented regulations. Efforts to formulate regulations at consolidated subsidiaries in Indonesia and Vietnam moved forward in fiscal 2015 and, in fiscal 2016, those regulations were put in place at a consolidated subsidiary established in fiscal 2015. Efforts to formulate regulations at consolidated subsidiaries in Indonesia and Thailand moved forward in fiscal 2017.

When new contractors and representative agencies are hired, the Company oversees that these new business partners pose no risks of bribery whilst conducting appropriate due diligence including on corruption status in the case of a merger with other companies.

In fiscal 2017, no violation of corruption and relevant laws was identified.

* Small amount of payment to facilitate regular administrative services

Promotion of Fair Competition and Appropriate Transactions with Subcontractors

For the purpose of promoting fair competition, Sumitomo Forestry published the Antimonopoly Act Guide Book, and via its intranet website and through training for new general managers, it works to enhance understanding and awareness regarding the intent and outline of the Antimonopoly Act and about the risk of cartels stemming from contact with competitors. There were no breaches or issues related to the Antimonopoly Act in fiscal 2017.

Given that the Group's business activities are supported by many business partners, every year, Sumitomo Forestry also makes a comprehensive examination of its compliance with the Subcontract Act and the Construction Business Act of Japan for the purpose of promoting appropriate transactions with subcontractors.

Political Contributions policy

The Sumitomo Forestry Group states in its Code of Conduct: "We shall maintain a healthy and transparent relationship with the government that is in conformance with all laws." This statement has been included to ensure a healthy relationship with the government. The Sumitomo Forestry Group Code of Conduct Guidebook distributed to every employee working at Group companies in Japan * clarifies "As a general rule and in accordance with relevant laws and company regulations, only the division in charge is permitted to make political contributions" and "If circumstances require another division to make a political contribution, make sure that there is adequate prior consultation with the division in charge or top management."

* The Code of Conduct Guidebook is gradually being expanded to each country at overseas Group companies.

Restriction of Insider Trading

The Sumitomo Forestry Group adheres to the Financial Instruments and Exchange Act as well as other relevant laws to prevent insider trading. Regulations to prevent insider trading maintains and improves the trust society has for the company in the stock market by clarifying procedures to prevent insider training by executives and employees as well as the management of information and disclosure methods. In addition, executives and

employees who have the potential to come into contact with insider information on a daily basis are required as policy to gain the prior approval of the General Manager of the General Administration Department if they plan to buy or sell company stock to ensure the appropriateness. The Group also has published an Insider Trading Prevention Manual and raises awareness through its internal websites in addition to reminding the executives and employees twice a year about the prevention of insider trading.

There were no breaches or issues related to insider trading in fiscal 2017.

Rejection of Influence from Anti-Social Forces

The Sumitomo Forestry Group's Code of Conduct state that the "influence from anti-social forces will be met with a resolute attitude and no compromises will be tolerated" as its basic policy. The General Administration Department is designated as the division to coordinate overall response and systematically cooperates with external expert bodies such as the police and lawyers in order to gather information about anti-social forces, and when required, gives guidance in issuing warning notices. In addition, in accordance with the enforcement of laws of each prefecture for the exclusion of organized crime, Sumitomo Forestry takes appropriate action including standardization such that all contracts that domestic Group companies enter into with third parties include a clause to exclude anti-social elements.

To further strengthen its efforts, since fiscal 2013, the Company has requested that all business partners, including its existing contracted partners, provide declarations guaranteeing that neither they nor their parent, subsidiary or subcontracting companies are anti-social forces.

Prevention of Traffic Accidents and Violations

Given that the Sumitomo Forestry Group has a fleet of about 7,000 vehicles used for either work or commuting in Japan, it promotes use of a standard Group system for managing safe driving to manage the risks associated with traffic accidents and violations.

Specifically, as well as establishing related rules, standardizing accident report forms, and acquiring Certified Driving Records*, Sumitomo Forestry has rolled out a Safe Driving Management System to each Group company which centrally manages basic driver and vehicle information (licenses, traffic violation histories, vehicle inspections, insurance, etc.), and has established systems for ensuring that the fulfillment of statutory obligations and driver instruction are carried out in a timely and appropriate manner.

Sumitomo Forestry also holds monthly meetings for the Safe Driving Working Group, which is comprised of safe driving coordinators from Head Office and business divisions. The group shares and analyzes the state of traffic accidents and violations, helping in the formulation of prevention measures and educational activities.

Furthermore, Sumitomo Forestry also conducts hands-on vehicle training such as daily inspections, basic driving and slalom driving in addition to training to teach the potential of personality and other factors that influence driving as well as driving skills for the future based on a driving aptitude assessments, targeting new employees who are at a greater risk of accident due to insufficient driving skills and experience. Training is also provided to give participants hints on how to avoid traffic accidents so that they can reaffirm their mental readiness for safe driving.

* A certificate issued by the Japan Safe Driving Center showing a driver's violations and administrative disciplinary actions, etc.

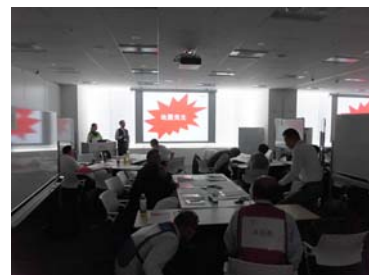
Compliance Auditing

The internal auditing departments evaluate and investigate the appropriateness and validity of the management system at Sumitomo Forestry and its 200 operational sites from an independent standpoint. In fiscal 2017, roughly 60 sites were selected to conduct internal auditing. These internal audits not only examine simple imperfections but also point out issues related to compliance at each site and provide advice and guidance for improvement. In addition, in the event a compliance breach is found, the issue is reported to the President, executive officer in charge of internal auditing, the statutory auditor, and the executive officer/director supervising the business of the breach to put in place the necessary reform measures while offering advice on how to correct and improve the point of issues in the relevant departments.

Business Continuity Management

System for Managing Business Continuity

To counter risks which could significantly impact Head Office functions and are beyond a company's capacity to prevent, such as natural disasters and new strains of influenza, Sumitomo Forestry has established the BCP Subcommittee. The subcommittee sits under the Risk Management Committee, is chaired by the general manager of the General Administration Department and is comprised of the persons responsible for risk management at each Group company. Additionally, the Company promotes initiatives based upon business continuity plans (BCP). Since Sumitomo Forestry Group companies are an integral link in the supply chain of one another's business, each Group company is committed to constantly improving the resilience of the whole Group, and tackling Group-wide issues with the intention of enhancing business continuity.



BCP Simulation Training

In fiscal 2017, Sumitomo Forestry held four BCP Subcommittee meetings. Critical initial responses in the event of a powerful earthquake, in particular the one striking directly underneath the Tokyo metropolitan area was revised; in the meantime various training programs were planned and implemented.

Measures for Employee Safety and Systems for Business Continuity

Portable Guide for Risk Responses, Safety Confirmation and Information Communication System

Sumitomo Forestry Group distributes Portable Guides for Risk Responses to all Group employees in Japan, promoting the basic response procedure to take in the event of a disaster. A safety confirmation system has also been introduced, allowing the safety of employees to be checked quickly in the event of a natural disaster. Safety confirmation drills are conducted at domestic Group companies every year, and in fiscal 2017, a sum of 13,835 employees have participated in them.



Portable Guide for Risk Responses

Furthermore, we have been operating a crisis management portal site since October 2016 as an information communication tool indispensable to business continuity from the moment disaster strikes through the recovery. This portal site allows employees Group-wide to confirm notices from the company and disaster information with only access to the Internet even when verbal communication networks and transportation infrastructure are down. Members and other staff entrusted with the responsibilities at each division, base and affiliate company can also share information through SNS functionality on the portal site to regularly confirm safety and conduct information communication training.

Disaster Prevention and Damage Mitigation Measures

By way of preparation for employees walking long distances back home on foot or those stranded at the office unable to return home in the event of a massive earthquake, Sumitomo Forestry has stipulated a minimum stockpile of common emergency supplies for each workplace, and has had these distributed to all Group bases. In particular, at bases in large metropolitan areas (Tokyo, Osaka, and Nagoya), where it is expected there would be large numbers of stranded employees, enough supplies have been stored for employees to stay at the office for up to three days.

Also, when selecting new offices and other facilities, rather than deciding merely on cost and convenience, the person responsible for disaster prevention at Head Office gets involved, and measures for preventing disasters and reducing damage are implemented, such as measures for preventing office equipment from falling over and multifunction printers on wheels from rolling.

Furthermore, Sumitomo Forestry has also implemented measures from a perspective of data integrity, such as backing up data at locations physically distant from the data center.

BCP Simulation Training

In order to overcome the chaos immediately after a large-scale earthquake strikes and to transition quickly to action for business continuity, it is vitally important that the people in charge can make an initial response and can make decisions according to the situation at hand. For this reason, since fiscal 2011, the Sumitomo Forestry Group has continued to conduct BCP Large Scale Earthquake Countermeasures Simulation Training, targeted at the persons in charge at each Group company. The aim of this training is to get participants to experience a simulated “crisis” in an earthquake and to acquire an awareness of the issues, by getting them to make spur of the moment decisions again and again based on rigorous hypothetical scenarios. During the training, since Group companies from neighboring areas are assembled together in one place, another aim of the exercise is to share an awareness of risks and to strengthen cooperation among them in an emergency. To date, a cumulative total of more than 510 people have participated in this training.

Systems have also been developed so that, in situations where employees find getting to work difficult, payment of salaries, payments to business partners and other important business operations can still be carried out from a site designated in advance, an employee dormitory, their home or other remote locations while maintaining a high level of security. Simulation drills to check back-up office operations are also conducted every year.

As a measure against pandemic influenza in fiscal 2017, we also conducted training for the use of kits to prevent contamination (protective clothing, goggles, gloves, etc.).

Strengthening Supply Chain Business Continuity Plan

In readiness for potential disruption of its housing business supply chain following a disaster, Sumitomo Forestry shares the specifications and processes for property construction along with site progress status information with business partners including component makers and building contractors. By enabling advanced procurement of materials and production in this way, the Company is striving to reduce the risk of a disruption to operations.

Sumitomo Forestry also reviews its suppliers of building and construction materials, with supplier evaluations conducted every year for determining whether to continue business with them. Business continuity items, such as systems for ensuring alternative supply routes during a disaster, have been added to these evaluations.

Continuity of Customer Service

While establishing call centers in Tokyo and Fukuoka, thereby facilitating a 24-hour after-sales service, Sumitomo Forestry has also developed a mechanism whereby any call center can back up the functions of another call center in the event it is affected by a disaster. Through a unified emergency system, the Group can share damage information pertaining to owners nationwide, enabling us to respond quickly to requests for repairs.

Toward the Future

The Sumitomo Forestry Group will strive to further reduce the risk of business interruption in the future by creating rules for crisis management reports from suppliers in the event of an incident such as calamities and disasters like earthquakes while also tracking all revisions of these reports.

Sharing, Protection, and Security of Information

Appropriate Dissemination of Information and Protection of Personal Information

Observance of Laws, Standards and Norms in Advertising and Publicity

When creating advertisements, Sumitomo Forestry complies with relevant legislation, including the Copyright Act, Trademark Law, Building Lots and Buildings Transaction Business Law, and the Act against Unjustifiable Premiums and Misleading Representations. The Corporate Communications Department, the Intellectual Property Department and the Legal Group in the General Administration Department cooperate to confirm and verify the content of advertisements as required. Sumitomo Forestry did not violate any of the various laws and regulations related to advertising in fiscal 2017. Furthermore, Sumitomo Forestry holds monthly meetings of the Brand Communication Committee, comprised of advertising personnel from relevant departments and relevant Japanese affiliates, in addition to study sessions for preventing non-compliance in an effort to raise awareness. Through these efforts, Sumitomo Forestry made certain of prior checks, and endeavored to ensure customers were not misled by unreliable information.



The Brand Communication Committee

In fiscal 2017, the Brand Communication Committee held a study session about the Act on the Protection of Personal Information, the Copyright Act, Product Liability Law, and the Act Against Unjustifiable Premiums and Misleading Representations. This session brought understanding of the content of laws related to advertising and labeling as well as violations that can easily occur by providing explanations that included an introduction of specific examples.

A web discussion session is also held once a quarter. Additionally, the Committee created website management guidelines and provided relevant division and Group company website teams in Japan with information and instructions on personal information and information security.

Systems for Protecting the Privacy of Customers(Protection of Personal Information)

Sumitomo Forestry has formulated internal rules to safeguard the personal information of customers, such as the Personal Information Protection Policy and the Personal Information Protection Regulations. In addition, the executive officer responsible for general administration is designated as chief executive in charge of protection of

personal information. The Company has also placed an information security officer in each department. In these ways, the Company has established a protection system covering Head Office through to each office.

The Company has also established a help desk for inquiries regarding the handling of personal information within the Customer Service Department. In addition, collective training is provided for the head and general administration representative for each organization. E-learning is provided for all other employees and efforts are made to increase awareness at subcontractors, in order to prevent the leaking of personal information. It is also mandatory for employees at Group companies to undertake the e-learning training.

► [Personal Information Protection Policy](#)

Information Security Policy

In order to ensure the confidentiality, integrity and availability of its information systems, the Sumitomo Forestry Group has raised the security level of its systems while maintaining the “regulation” aspects and “technology” aspects of information security in a mutually complementary manner. Based on the recognition that the protection of customer information in particular is of utmost importance, the Group continues to conduct employee training to ensure dissemination of the rules, and verifies their level of awareness.

In terms of the regulation aspects, we have formulated Sumitomo Forestry Group Information Asset Protection Guidelines for all Group companies in Japan and created a check list based on these guidelines at the same time. The person responsible for the department in charge of information systems at each Group company conducts checks of the information security level every year. In fiscal 2012, the Group also formulated guidelines for Group companies outside of Japan.

As for education on information security, Sumitomo Forestry has made it compulsory for all Group employees with access to its intranet (including temporary and part-time employees) to take an e-learning course on an annual basis.

On the other hand, with respect to the technology aspects of information security, the Group has introduced encrypted start-ups and restrictions on the data export from computers that are taken outside the Company.

Systems for Managing Information Security

Under the supervision of the executive officer in charge of information systems, the general manager of the Information Systems Department promotes information security measures for the Sumitomo Forestry Group, such as the formulation and management of rules and regulations, the proposal and implementation of technical measures, the education and training of employees, and the investigation of accidents and implementation of countermeasures.

Furthermore, the person responsible for each department provides guidance and management for the execution of that department's operations as the information security supervisor, and assigns an information security officer who is the working-level manager for the department's information security.

The Group also holds regular meetings of the Affiliated Companies IT Managers Council, which is attended by the persons responsible for departments in charge of information systems at Group companies in Japan. The council checks the content of the guidelines and promotes the introduction of security systems.

Initiatives to Strengthen Information Security

Investments in information security substantially increased in fiscal 2017 to strengthen security by building a defense in depth system based on the growing threats to information security such as the multiple leaks of personal information and the advanced email attacks occurring in recent times. In addition to these investments, the Sumitomo Forestry Group has conducted advanced email attack training for all of its employees.

We are also enhancing the response for consultations from employees founded in issues related to cyberattacks and strengthening information security education for employees centered upon the Information Security Office established at Sumitomo Forestry Information Systems Co., Ltd. in May 2016.

Toward the Future

As threats to information security grow in recent years, the Sumitomo Forestry Group will continually raise awareness internally as well as conduct and strengthen ongoing information security education with the Information Security Office newly established in 2016 at the core.

Intellectual Property Management

Intellectual Property Management Policy

The Sumitomo Forestry Group strives to properly manage intellectual property, including the protection of intellectual property at the right time based on the unique characteristics of each business and processing of intellectual property rights of others as necessary, to sustain and improve competitiveness as infringement from imitation to theft of trademarks and copyrights are one risk facing corporate management.

Systems for Managing Intellectual Property

Sumitomo Forestry established the Intellectual Property Department and it employs a number of patent lawyers on its department staff. The Intellectual Property Department provides a wealth of support that includes education to cultivate knowledge about intellectual property in employees, legal consultation about the infringement and violation of intellectual property rights, assistance for the execution of various contracts related to intellectual property as well as the creation of intellectual property in Tsukuba Research Institute and each division in addition to filings and the protection of the intellectual property that is created.

Initiatives for Intellectual Property

Intellectual Property Education

The Intellectual Property Department conducts classroom training for Sumitomo Forestry Group employees as required for the purpose of systematically teaching the correct knowledge and fundamental actions for handling intellectual property from the perspectives of compliance and risk management. Each year since fiscal 2012, a compliance-focused e-learning program for all Group employees has been conducted using the intranet.

In fiscal 2017, Sumitomo Forestry held eight training sessions on intellectual property for employees in charge of research and development as well as marketing and planning at the Tsukuba Research Institute, business departments and affiliate companies in an effort to ensure thorough compliance and risk management.

Education through the Company Intranet

Sumitomo Forestry has set-up a company intranet site called Intellectual Property Farm. The site provides Sumitomo Forestry Group employees with a fundamental grounding in intellectual property as well as a simple explanation about trademark rights that employees ought to understand when promoting business activities. The site also posts information on the latest topics concerning intellectual property.



Setup of Internal Intellectual
Property Farm Website

Toward the Future

In the future, we will strive to heighten the appropriate management of intellectual property by systematizing intellectual property education and improving the operational flow of surveys into the intellectual property owned by others among other processes.

Return to Shareholders and IR Activities

In recent years, institutional investors have shifted the way to evaluate a company. One emphasis from this perspective of evaluation is engagement. The dialogue between companies and their shareholders as well as investors is growing in terms of strategies and efforts to improve corporate value. Trends to promote even broader engagement are growing after the publishing of the Stewardship Code even in Japan.

The Sumitomo Forestry Group places great importance on engagement from the perspectives of properly assessing the corporate value and earning trust from the market. The Group discloses a wide range of information, including non-financial information, in a timely and transparent manner to facilitate understanding among stakeholders of our management policies and business strategies, while regularly feeds back the opinions and requirements of investors who are a vital stakeholder into operations to put in place measures toward sustainable growth.

Returns to Shareholders

Basic Policy on Returns to Shareholders and Retained Earnings

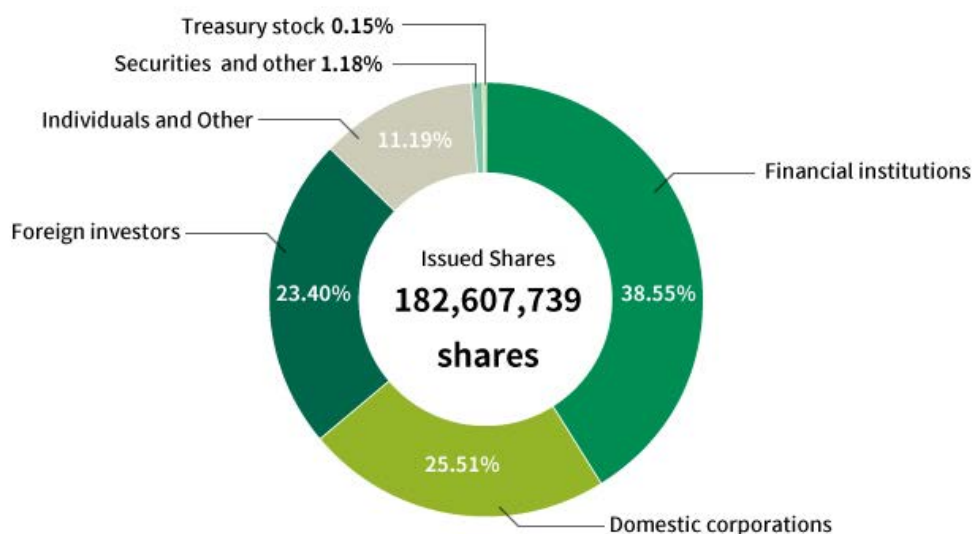
Acknowledging that providing returns to shareholders is one of its most important tasks, Sumitomo Forestry has adopted a basic policy of paying stable and continuous returns.

Going forward, in addition to improving return on equity (ROE) and enhancing shareholders' equity by making good use of retained earnings for effective investment and research and development activities that help improve long-term corporate value, Sumitomo Forestry will continue to pay an appropriate level of shareholder returns in line with earnings while reflecting an overall balanced consideration of factors such as business fundamentals, financial conditions and cash flow.

Dividends in Fiscal 2017

In fiscal 2017 (year ended March 31, 2018), a year-end dividend of 20 yen per share and an interim dividend of 20 yen per share were issued. This corresponds to a full-year dividend of 40 yen per share.

Share Distribution by Shareholder Type (As of March 31, 2018)



* Digits below unit values displayed are cutoff on the chart.

Information Disclosure and Communication

Basic Policy on Information Disclosure and Communication

In the interest of greater management transparency, Sumitomo Forestry takes a proactive approach to information disclosure.

We strive to provide reporting and explanations in an easy to understand manner at the General Meeting of Shareholders held in June every year. We also publish a wealth of IR information in Japanese and English such as information about the settlement of accounts and monthly order information in the housing businesses that includes short financial statements, factoring and a summary of financial results and forecasts on our website. In addition, we also publish our CSR initiatives in Japanese and English online.

We published the Integrated Report in fiscal 2017 in place of the Annual Report published up until now in order to strengthen informational communication for both financial information and non-financial ESG information about the initiatives to improve corporate value throughout the Group. Besides the integrated report and the Japanese language report for shareholders on business activities, we also strive to actively provide information that includes the publishing of notifications for our Ordinary General Meeting of Shareholders in both English and Japanese in print and online forms.

► IR Materials ([Link to IR Information](#))



Integrated Report 2017



Japanese reports for
shareholders on
business activities
(Year ended March 31,
2018)

Two-Way Communication with Shareholders and Investors

► Basic IR Policy

General Meeting of Shareholders

Sumitomo Forestry holds its Ordinary General Meeting of Shareholders every June. Through various initiatives, the Company endeavors to get as many shareholders as possible to participate at the meetings and exercise their right to vote. These initiatives include sending out and posting online convocation notices (in Japanese and English) earlier than legally required, scheduling the meeting to avoid the date when most other shareholder meetings are held, and accommodating shareholders who wish to cast their votes online or via mobile phone.

Individual Meetings

Sumitomo Forestry holds individual meetings with security analysts and institutional investors following the announcement of its quarterly results. In fiscal 2017, we conducted a total of 173 consultations in Japan and overseas. In addition, we will also regularly hold forums such as small meetings and on-site briefings.

IR Informative Meetings for Individual Investors

Sumitomo Forestry holds regular IR informative meetings for individual investors. During fiscal 2017, many investors attended the meetings held in Osaka and Nagoya. The meetings presented the growth strategy of the Sumitomo Forestry Group in addition to its business operations while its exhibition booth at the venue provided those investors who have requested with briefings on customized housing, rental housing, and renovation.

IR Activities for Overseas Institutional Investors and Shareholders

Sumitomo Forestry management team visits institutional investors and shareholders in Europe, North America, and Singapore in fiscal 2017 in addition to engaging in efforts such as the distribution of English versions of financial information to all of our institutional investors and shareholders overseas. These efforts offer us the chance to exchange ideas in addition to explain aspects of our business such as our business performance and business strategies.

We also provide many opportunities for dialogue by participating in conferences held in Japan and overseas.

Contribution Through Our Businesses

Overall Business and Scope of Impact

Housing and Construction Business

Distribution Business

Manufacturing Facilities

Forest Management

Energy Business

Business Responding to an Aging Society

Overall Business and Scope of Impact

We at the Sumitomo Forestry Group strive in a wide range of business activities centered upon wood.

We have built strengths unique to our Group from the technology and know-how in wood accumulated for the almost 320 years since our founding to the brand cultivated with a network in Japan and overseas that connects us to our customers. The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

Forest management



Logistics



Manufacturing



Housing and buildings



Living



Value Chain

- Seedling Farming
- Garden Vegetation
- Cultivation
- Harvest
- Transport
- Site Preparation

- Verification of Sustainability/ Legal Compliance
- Procurement
- Delivery/ Productization
- Shipping
- Sales

- Product Development
- Raw Material Procurement
- Processing/ Production
- Shipping
- Sales

- Sales/Product Development
- Design
- Materials Procurement
- Construction
- After-Sales Support

- Procurement
 - Production
 - Power Generation
 - Wholesales
- * related to the energy business

Relevant Stakeholders

- Customers
- Government and Regulatory Authorities
- NPOs/NGOs
- Global Society and Local Communities
- Business Partners
- Industries and Companies in the Same Business
- Global Environment
- Employees and Their Families

Relevant Material Issues*

<ul style="list-style-type: none"> • Material Issue 1 >Environmentally responsible society • Material Issue 2 >Low-carbon society • Material Issue 3 >Strengthen occupational health and safety • Material Issue 4 >Strengthen risk management framework 	<ul style="list-style-type: none"> • Material Issue 1 >Environmentally responsible society • Material Issue 2 >Low-carbon society • Material Issue 4 >Strengthen risk management framework 	<ul style="list-style-type: none"> • Material Issue 1 >Environmentally responsible society • Material Issue 2 >Low-carbon society • Material Issue 2 >Recycling society • Material Issue 3 >Strengthen occupational health and safety • Material Issue 4 >Strengthen risk management framework 	<ul style="list-style-type: none"> • Material Issue 1 >Environmentally responsible society • Material Issue 2 >Low-carbon society • Material Issue 2 >Recycling society • Material Issue 3 >Strengthen occupational health and safety • Material Issue 4 >Strengthen risk management framework • Material Issue 5 >Improve safety and quality • Material Issue 5 >Improve communication with customers 	<ul style="list-style-type: none"> • Material Issue 2 >Low-carbon society • Material Issue 4 >Strengthen risk management framework
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Relevant SDGs



Relevant Initiatives

- [Sustainable Forest Management](#)
- [Protecting and Utilizing Domestic Forest Resources](#)
- [Forest Management Overseas](#)
- [Utilization of Overseas Plantation](#)
- [Occupational Health and Safety in the Forestry Business](#)

- [Procurement Initiatives](#)
- [Sales Initiatives](#)

- [Procurement Initiatives](#)
- [Product Safety and Quality Control](#)
- [Initiatives at Plants of Building Components](#)

- [Procurement Initiatives](#)
- [Safety and Quality Control](#)
- [Home Building that Contributes to a Sustainable Society](#)
- [Communication to Improve Quality](#)
- [Occupational Health and Safety/ Environment on Construction Sites](#)
- [Product Liability](#)
- [MOCCA \(Timber Solutions\) Business](#)
- [Contributions to Eco Cities Through Greening](#)

- [Energy Business](#)
- [Business Responding to an Aging Society](#)

* Material issues are CSR priority issues identified by the Sumitomo Forestry Group in March 2015 based on economic, environmental and social approaches.

Housing and Construction Business

Value Chain of the Housing and Construction Business



Sales/Product Development

Housing and constructions at the Sumitomo Forestry Group are mostly custom-built detached housing designed to each customer's individual home specifications. We listen carefully to the requests of our customers to propose the best lifestyle based on their wishes. We enhance knowledge of each and every staff member to fully grasp the needs of our customers, and offer multiple communication opportunities such as meetings at model homes and showrooms. We also visualize images to provide accessible proposals through the adoption of tools such as virtual reality (VR) systems.

The Sumitomo Forestry Group pursues better housing performance from a wide range of aspects, including seismic resistance, fireproofing, and insulation performance in product development.

Relevant Social Issues

Sales endeavors face the challenge of whether the appropriate information can be provided comprehensively to customers. We strive to properly communicate data related to safety, performance and benefits of environmentally-friendly housing in addition to other information to offer proposals customers will be happy with.

Report on Relevant CSR Initiatives

- [Communication to Improve Quality](#)



Design

The Sumitomo Forestry Group provides long-lasting, high-quality housing by fully taking into account safety, durability and the environmental impact at the design stage. We have maintained our ratio of houses certified as Excellent Long-Term Housing for new custom-built houses through development such as Net Zero Energy Houses (ZEH) and the BF Method up until now.

Relevant Social Issues

The themes in particular for social challenges related to initiatives in the design stage are safety and the environment. We propose safe and secure lifestyles to customers in addition to not neglect considerations toward the global environment, including climate change.

Report on Relevant CSR Initiatives

- ▶ [Safety and Quality Control](#)
- ▶ [Home Building that Contributes to a Sustainable Society](#)
- ▶ [MOCCA \(Timber Solutions\) Business](#)



Materials Procurement

The Housing and Construction Business procures a wide range of materials from timber and concrete to kitchens and toilets. For example, this business alone procures and uses 240,000 m³ of wood annually. Fair and responsible initiatives for these procurement activities are the social responsibility of the Group.

Relevant Social Issues

We believe that the procurement responsibilities of the Housing & Construction Business should include its business partners as well as upstream supply chain. Therefore, considerations are expansive from labor practices, human rights to environmental issues both in Japan and overseas.

Report on Relevant CSR Initiatives

- ▶ [Procurement Initiatives](#)





Construction

Sumitomo Forestry prioritizes occupational health and safety above all else on housing construction sites. Therefore, we raise awareness about information and important items about safety in employees of the Sumitomo Forestry Group of course but also every worker involved with Sumitomo Forestry Home, such as on-site construction contractors.

Relevant Social Issues

Construction sites are bound to face various dangers and occupational accidents. We cultivate the highest level of awareness about Safety First and strive to realize accident-free construction sites by cooperating with variety of business partners. Moreover, the Housing & Construction Business also takes measures such as the reduction of waste and considerations for the neighboring areas, such as noise and vibrations.

Report on Relevant CSR Initiatives

- ▶ [Occupational Health and Safety and Environment on Construction Sites](#)
- ▶ [Contributions to Eco Cities Through Greening](#)



After-Sales Support

The Sumitomo Forestry Group aims to provide housing residents can live in over the long term by pouring its strength into after-sales support. Therefore, we conduct regular inspections and customer satisfaction surveys for 25 years after homes are delivered to their owners in addition to setting up call centers.

Relevant Social Issues

Our responsibility for the products (housing) lasts even after delivery as a housing manufacturer. Our Group recognizes maintenance as part of our responsibility for product liability to not only ensure long-term safety and environmental performance but also a home people can live in over the long term.

Report on Relevant CSR Initiatives

- ▶ [Product Liability](#)

Procurement Initiatives

Basic Policy of Our Procurement

The Sumitomo Forestry Group has been committed to responsible timber procurement and having established Timber Procurement Standard and Timber Procurement Philosophy and Policy in 2005 and 2007 respectively, to bring contributions to sustainable society via business activities of “wood” –a renewable resource.

In July 2015, Timber Procurement Philosophy and Policy were extended beyond timber and became subject to procurement of construction materials, raw materials of products, and end products, and reestablished as Sumitomo Forestry Group Procurement Policy. The Group’s economically, socially and environmentally responsible procurement today is being carried out based on this policy.

► [Sumitomo Forestry Group Procurement Policy](#)

Green Procurement and CSR Procurement

The Sumitomo Forestry Group formulated the Green Procurement Guidelines in 2002. The Guidelines establish standards for procuring products from two perspectives: the supplier's stance toward the environment (corporate activities assessment) and the product's impact on the environment throughout its life cycle (product assessment).

In 2013, the Group revised the Green Procurement Guidelines and added items to ensure progress of CSR initiatives concerning occupational health and safety and human rights under “corporate activity assessment.”

► [Green Procurement Guidelines \(extract\)](#)

Responsible Material Procurement

The Sumitomo Forestry Group procures materials for its Housing & Construction Business in accordance with the Sumitomo Forestry Group Green Procurement Guidelines. We have acquired the CoC certification for timber in the Construction Materials Development Department and promoted a distribution system in our supply chain.

When adopting new products or reforming existing products, we create green procurement ledgers as well as waste disposal confirmation forms (product/packaging) in addition to product specifications which define the specifications, standards and quality criteria of products. Green procurement ledgers confirm aspects of procurement such as verifying the timber procured has been legally logged, confirming the no occurrence of volatile organic compounds (VOCs) as well as use of certified chemicals such as insecticides. The waste disposal confirmation forms (product/packaging) verify aspects such as the type of offcuts, disposal methods and processing facilities.

We create two copies of each form and keep one copy at the Construction Materials Development Department while giving the other form to the supplier to store after confirmation by the relevant internal departments.

► [Status of Sumitomo Forestry Group Forest Certification/ CoC Certification](#)

Using More Domestic Timber in Home Products

Sumitomo Forestry is working to increase the ratio of domestic timber usage for Sumitomo Forestry Home house through development and incorporation of various component materials. Our custom-built housing primarily takes advantage of the Big-Frame Construction Method (BF Method) and the Multi-Balance Construction Method (MB Method). We strive to improve the ratio of domestic wood used in our housing products by setting targets for these two methods by 2020.

▶ [About symbol for Independent assurance](#)

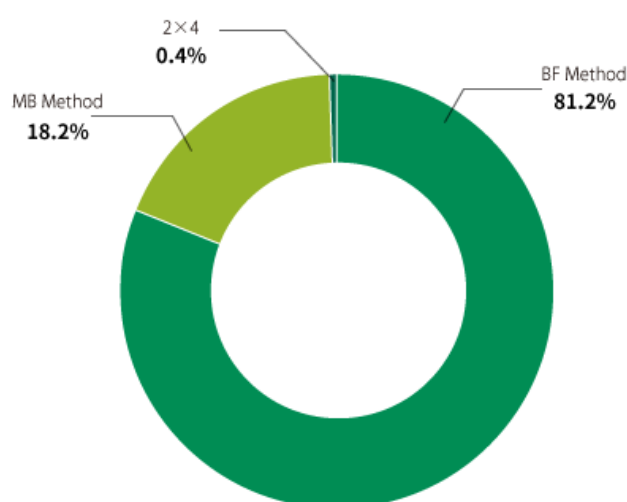
Fiscal 2017 Ratio of
Domestic Wood of
Structural and Non-
structural Materials
for each MB Method
Home

71% 

Fiscal 2017 Ratio of
Domestic Wood of
Structural and Non-
structural Materials
for each BF Method
Home

50% 

Fiscal 2017 Percentage of Custom-built Detached Houses Completed



Communication with Procurement Partners and Partner Evaluation

Sumitomo Forestry's Housing & Construction Business worksites are found in every region of the country, and they rely on support from the many partner companies that the Sumitomo Forestry Group collaborates with. The

Company considers communication with these companies to be vital in order to share with them its philosophy of improving the quality of homes while protecting the environment.

Main Communication Activities with the Business Partners of Sumitomo Forestry's Housing & Construction Division

Name/scale	Description
Evaluation and feedback based on the Supplier Evaluation Standards Response rate: 81.7% of main business partners (2017)	Material suppliers of the Housing & Construction Business (suppliers excluding on-site equipment manufacturers, precut factories, building material operators and frame centers) are evaluated every year on items that include a corporate overview, quality, cost, delivery period, environmental response as well as services. We provide feedback from the evaluation results as a way to play a role in bettering our suppliers. In order to strengthen the quality control of the products we procure, we reviewed the auditing procedures at supplier factories and have partially started to take new procedures.

Safety and Quality Control

Basic Policy for Product Safety and Quality Control in the Housing Business

Sumitomo Forestry believes that popularizing durable, high-quality houses as social assets plays an important role in creating a prosperous society. Based on this belief, and taking the opportunity of the enforcement of the Excellent Long-Term Housing Promotion Act in Japan in June 2009, the Company formulated a basic policy for product safety and quality control in its housing business in fiscal 2009.

Basic Policy for Product Safety and Quality Control in the Housing Business

- Make houses more reliable by improving their basic functions
- Increase future options for layout to accommodate changes in lifestyles
- Enhance maintenance programs to support long-term upkeep
- Monitor information on any production faults, and share information on handling faults promptly

Sumitomo Forestry offers homes that integrate seismic resistance, durability, better insulation efficiency, Net Zero Energy Houses (ZEHs), the promotion of universal design, and easy upkeep to improve all aspects of home performance so as to offer customers homes where they can live in peace of mind and comfort for many years to come.



Design performance evaluation

The Company is actively promoting the use of the Japanese Housing Performance Indication System^{*1} for customer peace of mind and safety as well as enhancing the value of property. In fiscal 2017, under the Japanese Housing Performance Indication System^{*2}, Implementation of Design Performance Evaluation reached 98.9%, Implementation of Construction Performance Evaluation reached 97.9%, and the acquisition of Excellent Long-Term Housing certification reached 93.3%.

^{*1} The Japanese Housing Performance Indication System: Third-party evaluation of design performance at the time of design and of construction performance upon completion so that customers can objectively assess the quality and performance of a house. The system comprises 10 evaluation items, including structural stability, fire safety, alleviation of deterioration, and thermal environment.

^{*2} The ratio of the number of applications against the total number of detached houses constructed, including extensions and/or alterations (applications for design and construction performance evaluation, April 1, 2017 – March 31, 2018) in the Housing and Construction Division.

Japanese Housing Performance Indication System Implementation Rate

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Design performance evaluation [*]	100.6%	97.7%	98.6%	98.8%	98.9%
Construction performance evaluation	95.4%	94.9%	97.3%	97.8%	97.9%

^{*} The implementation of design performance evaluation has been the percentage in the number of acquisitions for the design performance evaluation during the term for detached houses built (including buildings that have not yet started construction in that term) up until fiscal 2014. However, it was changed to the percentage in the number of acquisitions for the design performance evaluation for buildings that have started construction in that term as of fiscal 2015.

Excellent Long-Term Housing Certification

Sumitomo Forestry sets the standard specifications for its Sumitomo Forestry Home houses to exceed the highest level of Excellent Long-Term Housing^{*1} certification conditions^{*2} (applying the evaluation under the Japanese Housing Performance Indication System). From product development through to construction and after-service, the Company has established its framework for product safety and quality control in order to deliver high quality homes with superior overall balance.

^{*1} Excellent Long-Term Housing: A life-long housing certification system of Ministry of Land, Infrastructure, Transport and Tourism which aims to popularize housing that will help realize a society that values its housing stock.

^{*2} Detached housing is evaluated for durability, seismic resistance, ease of maintenance and energy efficiency in accordance with the Japanese Housing Performance Indication System.

Ratio of houses certified as Excellent Long-term Housing for new custom-built housing

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Ratio of houses certified as Excellent Long-term Housing for new custom-built housing	90.7%	91.2%	92.7%	93.3%	93.3%

Excellent Long-Term Housing Standards and Standard Performance of Sumitomo Forestry Home Houses

Certification Type		Certification Criterion	Standard Performance of Sumitomo Forestry Home Houses
Durability	Long lasting	Rating measures for deterioration class 3 Measures to allow regular inspection	Equivalent to highest level 3
Seismic Resistance	Strong to earthquakes	Rating of earthquake resistance 2 or higher	Equivalent to highest level 3
Maintenance Requirement	Easy maintenance home	Rating measures for maintenance level 3	Equivalent to highest level 3
Energy-saving performance	Energy-saving house	House Rating measures for energy conservation level 4	Equivalent to highest level 4

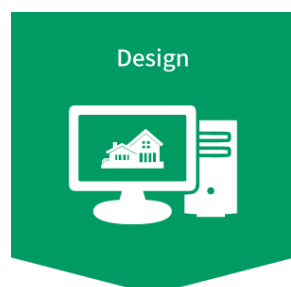
* The higher the rated level, the better evaluated.

Framework for Product Safety and Quality Control



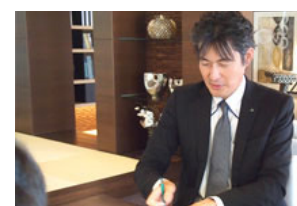
Product Development

- Undertaking development such as new technology, materials, housing products and lifestyle proposals based on consumer needs and owner surveys.
- The Housing and Construction Division and Tsukuba Research Institute are collaborating in experiments at validation facilities and testing of prototypes, promoting the creation of products that incorporate customer feedback, including even in the details of guarantees.



Design

- Sumitomo Forestry uses a unique system to check design and structure at the time of contracting and through the final design stage.



A dedicated designer responsible for the work

Materials Procurement



- The Materials Selection Subcommittee, which meets once every month to decide upon all materials, conducts design reviews. All materials are checked to ensure that they meet the acceptance and quality standards set by the Tsukuba Research Institute and the Materials Selection Subcommittee.
- The Quality Improvement Committee, which meets once every two months, shares information on materials that have been newly accepted, and discusses improvements to materials that have already been accepted. During fiscal 2017, they reported and discussed progress relating to three themes.

Construction



- Sumitomo Forestry centrally manages and shares up-to-date information on the construction, process management, quality control and safety management of each building through its own site management system.
- Each on-site operator, contractor manager and construction manager during such stages as foundation, construction and completion, conducts inspections which are managed using a construction management record. Additionally, the Head Office inspection division checks the status of the inspection and management.



Construction Management

After-Sales Support



- Sumitomo Forestry includes 25 years of regular inspections with its homes. This provides support over the long term to ensure a long life in these important living spaces through commercial inspections every ten years for 30 years.
- Sumitomo Forestry has developed a 60-year Regular Inspection System that offers renovation and maintenance proposals and manages maintenance records in order to support its customers.



Regular inspection

Renovation

- The performance and reliability of Sumitomo Forestry's proprietary materials used in anti-seismic reinforcement and so on are verified at the Tsukuba Research Institute. In addition, we are advocating seismic retrofitting by undergoing a technological evaluation of the Japan Building Disaster Prevention Association.
- Sumitomo Forestry Home Tech Co., Ltd. joined the All Japan Ryokan Association* in fiscal 2017 and focuses on renovations of hotels and Japanese Inns.

* All Japan Ryokan Hotel Association: The Association promotes Japanese Inns and Hotels throughout Japan to be more sanitary facilities, conduct better maintenance and stable management among other aspects of accommodation businesses.

Before Renovation of
Japanese Inn

After Renovation

Renovation (Purchase for Resale)

- In order to make a diagnosis of the seismic resistance and deterioration conditions of a condominium, the original construction drawings and specifications are checked, and construction reviews, reinforcement checks, concrete strength measurements and other inspections are conducted in collaboration with third-party surveyors. Conducting major renovation work properly based on the results of these inspections increases the life-span of the building. In addition, all of the inspection results and descriptions of the renovation work are disclosed at the time of sale.
- Sumitomo Forestry has a number of support programs in place, including issuing its own warranty, providing existing housing home buyer's defect warranty and latent defect insurance, and offering regular after-sales maintenance checks during the first year.



Under Renovation



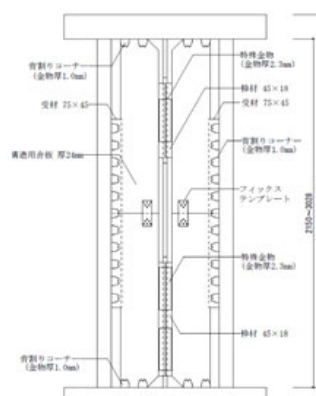
After Renovation

- Sumitomo Forestry and Kumagai Gumi Co., Ltd. have entered into a capital partnership to further collaboration between Sumitomo Forestry Home Tech Co., Ltd. and K&E K.K., which are Group companies of the respective companies. Sumitomo Forestry Home Tech is in charge of interior renovations that utilize wood while K&E is in charge of building renovations such as the exterior that fully leverages the abilities of a general contractor. Our ability to renovate the entire building heightens the buildings value as an asset.

Seismic Resistant Housing: Development of K-type Corner Braces and RGS Panels

K-shaped corner brace bearing walls use 24 mm thick structural plywood that is in order to store 75 mm thick glass-wool insulation inside. This method has great workability because the materials are light, and it underwent a technological evaluation by the Japan Building Disaster Prevention Association (6.0KN/m² standard bearing wall).

GS panels for renovation (RGS panels) are used as a seismic resistance method to limit deformation by installing these right and left panels (structural plywood with a 24 mm thickness) made of special metals sandwiching highly rigid and highly damping rubber in vertical members. Even greater workability is provided by dividing these panels into top and bottom pieces as well. The method underwent a technological evaluation by the Japan Building Disaster Prevention Association (6.1KN/m² bearing wall).



RGS Panel

BF Method

Sumitomo Forestry started selling the Big-Frame Construction Method (BF Method) as a product for three-story building products in February 2005 and expanded this method to two-story products in October 2009 as well as to products with fire-resistant specifications in four-story buildings in April 2015. Thereafter, as awareness of customers grew about risks such as disasters, the BF Method that had further evolved to provide greater strength in high seismic resistance matched customer needs and is now one of the company's main products.

The proprietary BF Method from Sumitomo Forestry is the first in Japan to realize the wooden beam Rahmen structure, which is used in high-rise buildings, in wooden houses.

The Rahmen structure is designed to stand up to horizontal forces such as earthquakes and wind through rigid-joints that unify the columns and beams with the fixings. The BF Method uses big columns with a large cross-section of 560 mm which is equivalent to roughly five standard 105 mm columns as well as incorporates structural materials in addition to a combination of metal-to-metal joints to achieve a robust Rahmen structure.

The beams and bases of the big columns join strongly thanks to the metal-to-metal joints. This brings about horizontal vibration resistance equal to a 22.4 (times/meter) shear resistance of walls. We ensure seismic resistance while being able to provide both large spaces and wide openings.

In addition, expanding and introducing a variety of original technology can support an even wider range of design requirements. Twin-bolt columns (shear resistance of walls equivalent to 33.6 times/meter) that doubles metal joints as well as double-large columns that layer two large columns (shear resistance of walls equivalent to 44.8 times/meter) provide freedom in floor plans and more spaciousness even on land with many restrictions. The pre-straight timber beams are large span beams increasing the freedom of design for built-in garages used for multiple vehicles, large open living rooms, multi-dwelling homes in addition to a wide range of other purposes.

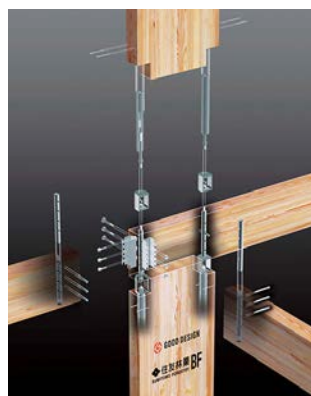
Sumitomo Forestry conducts vibration tests on testing model of structural framework made using the BF Method as well as full scale structures to examine seismic resistance in anticipation of a large-scale earthquake.

The full-size testing model for a three-story building constructed with the BF method cleared testing easily for vibrations of a maximum acceleration of 2,699 gal, which is equivalent to the Great East Japan Earthquake, and is 3.3 times the Great Hanshin-Awaji Earthquake (maximum acceleration of 818 gal). Our technology has been proven tough through a total of 22 harsh vibration tests; two of which were conducted at a magnitude of 7 equal to the Great East Japan Earthquake and 20 of which at a magnitude of 7 equal to the Great Hanshin-Awaji Earthquake. We also estimate strong aftershocks after a massive earthquake by implementing a repetition of a total of 246 vibration tests. We have repeatedly conducted testing with strong vibrations from a magnitude of 4 to a weak 6 and beyond to 7 to ensure continued seismic resistance of the structural framework.

In this way, the BF method responds to the needs of customers with powerful structures to bring security as well as flexible designs able to provide comfortably spacious spaces.



Strong Big Column with a Width More Than Five Times a Standard Pillar



Realizing a Robust Rahmen Structure via Metal-to-Metal Joints

Promotion of Universal Design

Sumitomo Forestry is a pioneer in establishing soft closers for all indoor furnishings such as sliding doors and hinged doors as an initiative to increase the safety of residents. In addition, an all flat design that does not create any level differences in flooring is now a standard specification while convex corners for inner walls and wall-mounted convex sections have an R-shape specification around living spaces and halls. We have set the standard specifications for the width of hallways to 780 mm to allow the use of wheelchairs with the assumption that wheelchairs and care will be necessary in the future. We also flexibly respond to customer requirements through a freedom in design that includes slopes to entrances and the installation of home elevators.

In addition, Sumitomo Forestry is placing its strength in the design of living spaces to satisfy the needs of customers such as roof balconies without level differences from the interior, heat shocks, and the Air-Dream Hybrid total air conditioning system that reduces house dust and realizes a comfortable space without any temperature fluctuations. Sumitomo Forestry also provides comfortable bedroom environments with original wooden interiors that have indirect lighting to offer better sleep quality and reduce fatigue in indoor environments perfect for sleeping.

Home Building that Contributes to a Sustainable Society

Basic policy

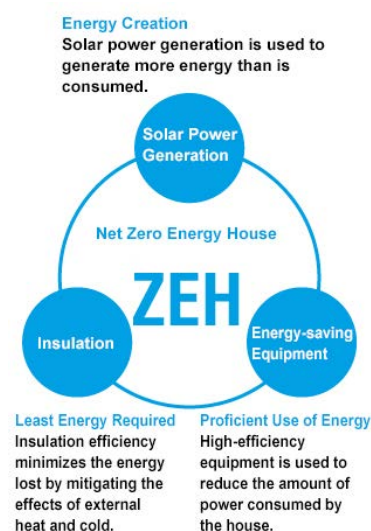
Net Zero Energy Houses (ZEH) and other housing measures in Japan offer guidance to creating eco products as well as advocate excellent long-term housing as an asset. We conduct housings sales in a way that is able to contribute to a sustainable society while satisfying the needs of customers from reducing primary annual energy consumption by recommending houses with ZEH specifications and providing homes able to stand up to disasters in addition to providing products which maintain and sustain comfortable living.

Promotion of net zero energy house (ZEH) specifications

The household sector in Japan still has high level emission of CO₂ although the trend has slowed down. Japan has launched policy targets that aim for more than half of all custom-built detached houses constructed by housing manufacturers and other companies to be ZEH compliant by 2020 in the measure to counter global warming approved by Cabinet decision in May 2016. ZEH is a scheme for housing to provide less than zero annual net primary energy consumption by combining equipment to generate energy such as high thermal insulation efficiency, energy-saving equipment, and solar power generation.

Wood is conventionally a renewable natural resource that absorbs and stores CO₂ during its growth process. As well as using wood for its principal structural members, Sumitomo Forestry has offered housing proposals where residents can live comfortably all year round by incorporating its own unique Ryouonbou design, which takes advantage of natural blessings such as the wind and sun. The Company's expertise in utilizing these unique characteristics of wood and blessings of nature together with its technologies for the reduction of energy consumption, such as improvements in thermal insulation as well as the adoption of energy-saving equipment, and its technologies for the smart use of energy, such as equipment for generating and storing energy and HEMS^{*1}.

Toward the ZEH targets established by Japan, Sumitomo Forestry has set the goal to standard ZEH at 80%^{*2} by fiscal 2020, and it has reached 33%^{*2} as of fiscal 2017. We are making greater insulation efficiency in buildings and around openings as well as built-in solar power generation systems basic specifications as of April 2017 in our new housing.



*1 Home Energy Management System— a system whereby residents can visualize the amounts of energy they generate and use

*2 Values include Nearly ZEH while they exclude Hokkaido and Okinawa Pref. for their cold and hot weather respectively. The fiscal 2017 results and 2020 targets for Hokkaido are respectively 1% and 51%. While ZEH is defined as a primary energy reduction rate of 100% including solar power, Nearly ZEH is defined as between 75% to 100%.

ZEH Standardization
Target (2020)

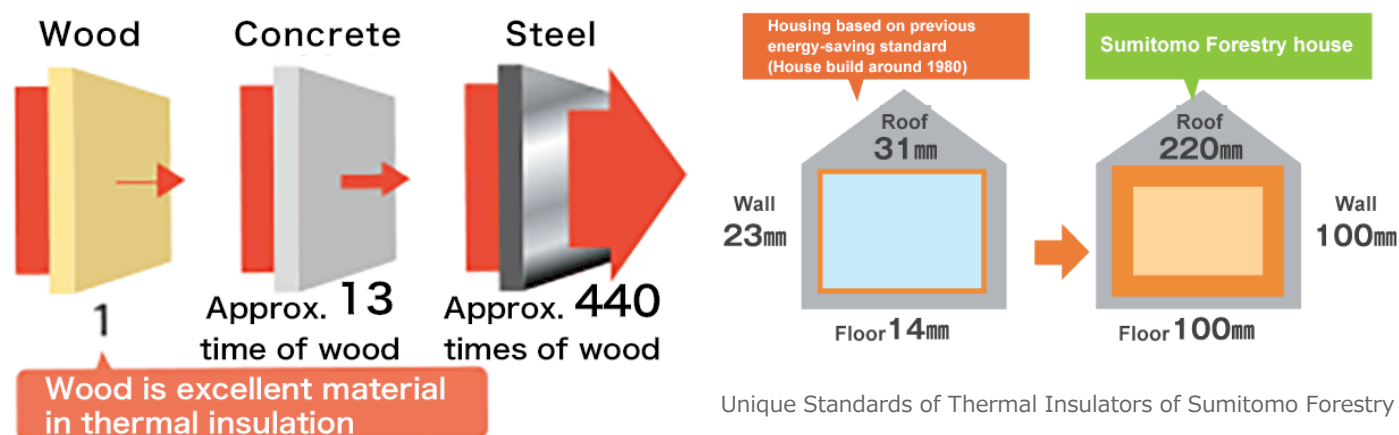
80%^{*2}

ZEH Standardization
Performance (2017)

33%^{*2}

Wooden Houses with Superior Insulation

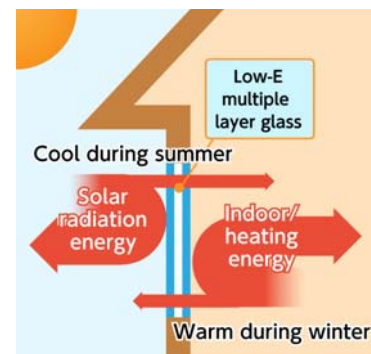
If the thermal conductivity of wood is 1, the thermal conductivity of concrete would be almost 13 and steel upwards of 440. Wood as a material is a superior insulator to mitigate the transfer of heat. In addition, Sumitomo Forestry uses high-performance thermal insulators based on its own unique standards.



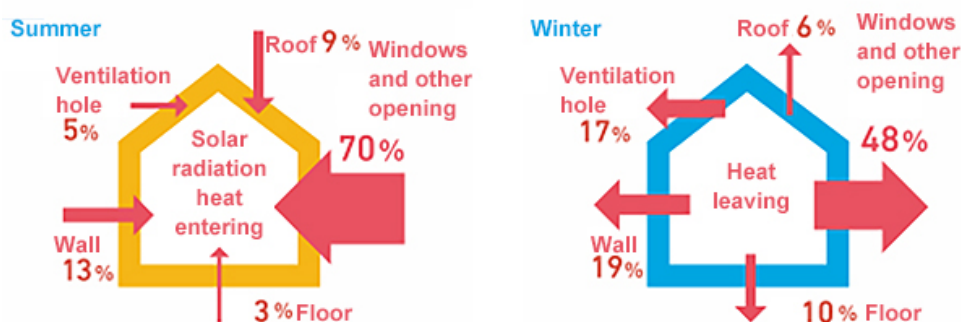
Superb Insulation of Wood

Limiting Energy Loss with Highly Insulating Glass

Windows cause the greatest loss of heat in living spaces. Shielding interior spaces from heat in the summer and preventing heat from escaping in the winter is vital. Sumitomo Forestry uses low-E multi-layered glass for windows causing a large amount of heat loss. Argon gas or krypton gas are injected between the multi-layers of glass to mitigate heat transfer to the air while the panes are coated with special metal film. The superior thermal insulation and insulation properties shield interior spaces from heat in the summer and prevent heat from escaping in the winter.



Low-E multiple layer glass



Heat Loss Ratio of Houses

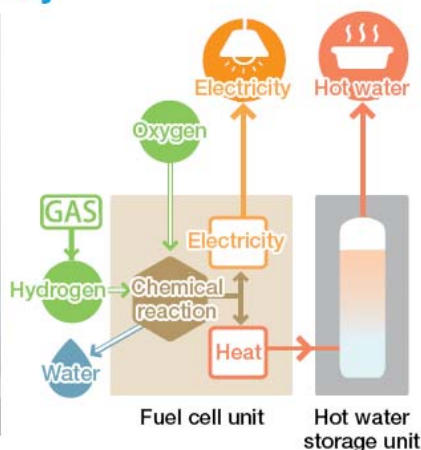
Double Power Generation

Sumitomo Forestry recommends the installation of solar power generation panels as well as eco-farm residential fuel cell units. Double power generation can generate the necessary electricity for daily life in the home. Furthermore, Home Energy Management Systems (HEMS) realize zero energy homes (ZEH specifications) by proficiently managing energy consumption throughout the home.

Ene-Farm



Solar power generation panel

Water heaters that also
generate electricity

Heat and water are generated during the generation of electricity. That generated heat is not wasted and is collected to be used for making hot water and heating floors, greatly improving the efficiency of primary energy usage.



Combining solar power generation system and Ene-Farm further reduces utility costs and CO₂ emissions compared to being used just either one. It can be more economical by using electricity generated by Ene-Farm during the day when use of electricity is low and selling excess electricity generated by solar power generation system.

► [Ryouonbou Design Concept \(in Japanese\)](#)

Trends in installation rates of environmentally conscious equipment (new orders)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Solar power generation systems	51%	43%	35%	48%	46%
Ene-Farm units	53%	51%	43%	34%	34%
Eco One ^{*1}	-	-	-	16%	18%
Environmentally conscious equipment installation rate ^{*2}	72%	66%	58%	68%	69%

*1 Hybrid electric and gas hot water and central heating systems

*2 Installation rate of solar power generation system or Ene-Farms until fiscal 2015. Fiscal 2016 includes Eco One on the left

Sales of The Forest BF Detached Houses that Achieve Open Spaces and ZEH Start

Sumitomo Forestry further evolved its unique Big-Frame Construction Method (BF Method) with the release of The Forest BF throughout Japan (excluding Okinawa Pref.) in April 2017. The Forest BF provides comfortable habitability in even more open spaces than before through flexibility in the height of ceilings and beams with new patented technology. In addition to offering insulation efficiency greater than the local standards, The Forest BF can also achieve ZEH, which requires zero or less primary energy consumption each year, through equipment such as solar power generation systems. Moreover, we have adopted versatile partitions that do not require structural materials to build a structure with less waste when changing room plans such as the partitions separating living areas for children and parents alike. This product aims to receive orders of 5,500 houses a year.



Combining Comfortable Habitability and High Environmental Performance in The Forest BF

- ▶ [Creating Expansive Open Spaces with Custom Ceiling Heights and New Technology: Launch of “The Forest BF” custom-built detached houses](#)
- ▶ [The Forest BF page \(in Japanese\)](#)

Proposals for Renovations to Enhance Performance

Sumitomo Forestry Home Tech Co., Ltd. promotes renovations from energy-saving points of view. This brings success in reducing the environmental impact by proposing solutions through thermo insulation as well as installation of facility equipment with high energy efficiency together with better thermal efficiency. The insulation renovation, specifically, can mitigate the health risk from heat shock in addition to lower the cost of heating and lighting.

We propose new lifestyles that reduce the energy consumed in daily life and decrease lifetime heating and lighting costs by heightening insulation efficiency and using energy-saving equipment.

We will continue to focus on seismic retrofitting proposals and actively strive to bring about excellent long-term housing in existing properties as well as long-term excellent extension and alteration standards by improving the performance in thermal efficiency, energy-savings and seismic retrofitting.



Installation of a Thermal Insulator

Restoration of World Heritage Historic Houses: Supervising Restoration of the World Heritage Ninna-ji Temple Shorinan Residence

Sumitomo Forestry Home Tech has handled a wide range of restoration of historic homes as a way to visit old to learn new impassioned about the quality of wood and traditional wooden construction. World Heritage Ninna-ji Temple Shorinan Residence restorations completed in September 2017 were executed with the aim of achieving a building with the old tastes of Japan. The restorations left original furnishings as much as possible, such as the rare structural beams, as well as bringing life back to the charm felt in the accommodations from that time.

We also made consideration to the construction method as Ninna-ji Temple Shorinan Residence is an area designated as a buried cultural property. When newly setting the foundation as part of the reinforcement work for seismic resistance, concrete was poured without any excavation of the subsoil.

In addition, Sumitomo Forestry Home Tech achieves renovations that leveraged its design and construction capabilities, such as the elimination of level differences in the floor of the building to provide a barrier-free interior.

In the future, we will not only renovated detached houses but also promote the expansion of our business to non-resident and commercial building sectors.

► [Restoration of World Heritage Historic Houses: In Charge of Building Restoration and Landscaping of the World Heritage Ninna-ji Temple Shorinan Residence](#)



Restored Ninna-ji Temple
Shorinan Residence

Research and Development of Life Cycle Carbon Minus (LCCM) Housing

Sumitomo Forestry is engaged in the development of Life Cycle Carbon Minus housing to achieve negative CO₂ emissions across the entire life cycle of a home from material procurement, occupation and renovation through to demolition and disposal by using environmental sound equipment such as solar power generation systems.

In addition to effective use of electricity in housing that uses technology such as energy storage systems, we conducted inspections through simulations in our research into efficient use of energy which began in fiscal 2016. Sumitomo Forestry also began looking into the effectiveness of Vehicle-to-Home (V2H) and Vehicle-to-Grid (V2G) when introducing electric vehicles expected to become a standard in the future. Moreover, as a way to better examine things from the resident perspective, we have organized the specifications for the outer skin of housing by defining target values for the insulation efficiency necessary from the perspective of comfort and health. In the future, we plan to further research and development not only in simple energy savings but also the impact the living environment has on the sensibilities of people.

Carbon Stock in the Housing & Construction Business

Trees retain CO₂ as carbon even after they are turned into products. Constructing wooden houses can therefore be likened to building forests in the city. The total domestic carbon stocks in timber that was used in construction of the houses in the MOCCA (timber solutions) business in fiscal 2017 reached 185,000 t-CO₂. The Sumitomo Forestry Group contributes to measure to counter global warming by increasing carbon stocks for forests and cities.

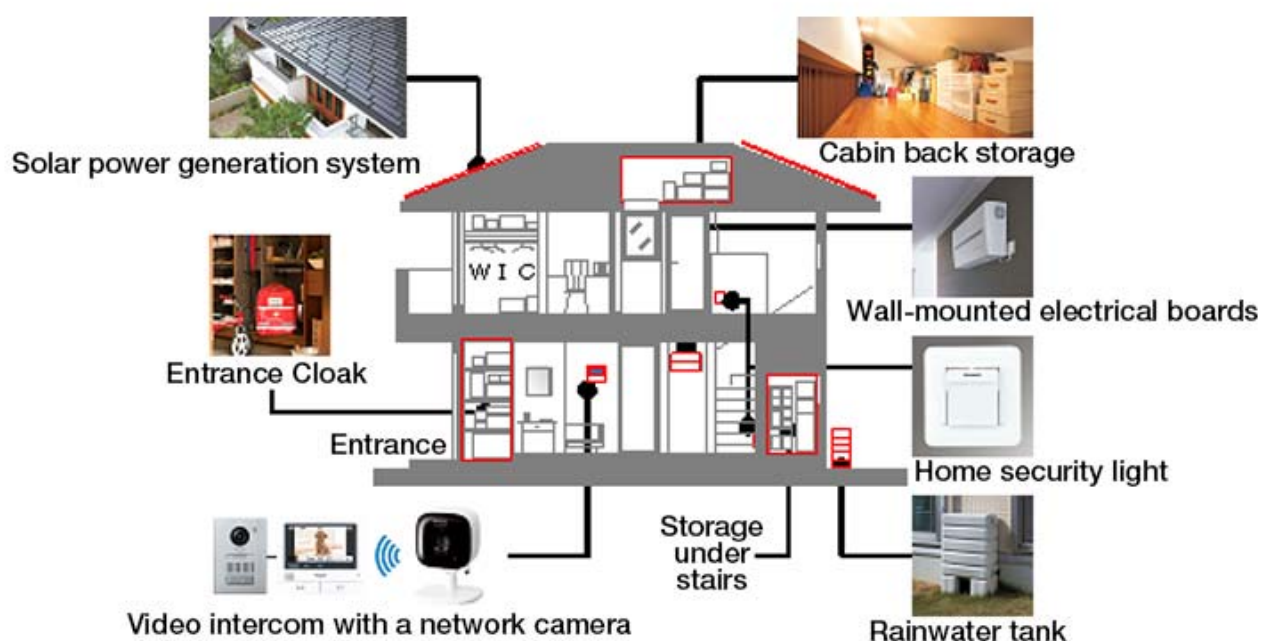
► [Sustainable Forest Management \(Carbon Stocks for Forests and the Housing Business\)](#)

Sales of Home Adapted to Climate Change

Disaster Recovery Guidelines were put in place in the Housing and Construction Division and measures and action guidelines for operations were defined to quickly and accurately respond to damages from natural disasters to our customers' houses as they become more prevalent due to climate change.

On November 4, 2016, BF-Si Resilience Plus was released to pursue security, safety and comfort when disasters such as earthquakes or flooding strike. The BF Method that boasts structural strength only offered by Sumitomo Forestry ensures the safety of buildings and provides functionality for an uninterrupted lifestyle until recovery even when lifelines are cut thanks to equipment such as enhanced storage space, solar power generation systems, wall-mounted electrical boards and water tanks. A video intercom with a network camera allows the interior to be clearly seen with a wireless camera as well as gives owners the ability to check the state of their house in a disaster even while out-and-about. The large storage space helps keep rooms clean in daily life while the original built-in furniture effectively prevents the furniture from toppling in an earthquake and can achieve a space in harmony with the interior.

BF-Si Resilience Plus for Durability in Disasters and Greater Comfort in Each Day



► [Launch of BF-Si Resilience Plus Lifestyles with High Disaster Preparedness; Peace of Mind and Safety in Disasters Plus Everyday Comfort \(in Japanese\)](#)

Sales of Home in-line with Various Needs and Lifestyles

The Housing and Construction Division proposes housing to a broad range of customers from first time home buyers to married couples that plan to live with their children in multi-generational homes or who plan to live as a couple after their children are grown.

DUE CLASSO was released as custom-built housing for double-income families in August 2017. In response to needs such as efficient traffic lines and room plans easy for families to interact as well as storage ideas and the latest equipment, DUE CLASSO proposes Saku-kaji (prompt housework), Tomo-kaji (housework together) and Shin-kaji (new housework). These innovations are plentiful and help families spend a wonderful time together in this important space created through family cooperation. DUE CLASSO helps create a living space to achieve a leisurely lifestyle in both personal and professional life.

In addition, Forest Selection BF was launched to propose 1,000 carefully selected plans from approximately 30,000 proven custom-built homes in November 2017. This housing is realizing living suited to the needs and lifestyles of customers from a rich selection of choices.

Both of these products promote ZEH specifications to provide living spaces that value the lifestyle environment as well as the global environment.

- ▶ [Launch of DUE CLASSO Houses for Dual-Income Families: Rich lifestyles through ingenious houses that expedite housework and work style reforms](#)
- ▶ [New Launch of Forest Selection BF Select Style Product: Choose from 1,000 Plans for and Custom-Built Lifestyle \(in Japanese\)](#)

Initiatives for Overseas Housing

Sumitomo Forestry is furthering the expansion of the housing business overseas centered upon detached house sales in America and Australia. We sell environmentally-friendly housing in addition to fully grasping the culture of each area and the way people live to provide housing tailored to the demand.

Sales of Environmentally-friendly Housing Overseas

The Sumitomo Forestry Group sells housing with high energy-saving performance overseas.

In 2001, Henley Properties, a Group company, drove forward efforts to enhance energy-saving performance in the Australian housing industry, such as pioneering its own standard specifications ahead of competitors, by recommending a five-star energy rating^{*1} for the standard energy-saving performance in Victoria at the time. Efforts toward the environment accelerated further after the involvement of the Sumitomo Forestry Group in 2009. We conducted a variety of initiatives to reduce the environmental impact, including the realization of a commercial zero emission house^{*2} for the general consumer for the first time as a major builder in the country.

In Victoria, we use a blended cement replacing approximately 20% of cement, the primary ingredient in concrete used in foundations of homes, with fly ash (ash produced when burning charcoal) and blast furnace slag (byproduct separated from iron ore in the iron manufacturing process in blast furnaces). The blended cement reduces CO₂ emissions by about three tons per home in the construction stage.

Japanese housing generally uses multi-layered glass, but this is not common practice in Australia due to the cost. More than 80% of the new housing still uses single-pane glass. However, in 2018, we were the first in Victoria to make multi-layered glass a standard specification to increase the insulation efficiency of homes^{*3}.

We are also actively working to improve airtightness. The homes built by our Group company have shown airtightness three times higher than the average home in Australia shown by airtightness inspections conducted in 2017^{*4}.

Henley Properties is taking advantage of the know-how cultivated in efforts to develop energy-saving housing over many years in a wide range of endeavors. As interest in realizing a sustainable society grows worldwide, Henley Properties is striving to develop housing with a high-level of energy performance by continually conducting improvements of materials and equipment as well as surveys of performance.

^{*1} An evaluation metric of the energy burden for heating and cooling the inside of a building in Australia. Insulation, windows, the type, size and orientation of the building, and the climatic zone are all items included in this metric. The highest rating of 10 stars indicates that no heating or cooling whatsoever is needed to maintain a comfortable indoor living environment. Five stars indicate that the building has high insulation performance, but that a minimum of energy is required for heating and cooling. The five star standard specifications pioneered by Henley Properties brought competitors to do the same. As a result the government of Victoria enacted policy to make five stars the standard. Thereafter, Henley Properties became a leader in environmental performance standards in the Australian housing industry through efforts that including raising the internal standard to six stars which then led Victoria to also raise theirs standards to six stars.

^{*2} Environmentally-friendly housing expected to have an energy-saving effect of more than 70% compared to conventional housing.

^{*3} Multi-layered glass effective in improving insulation efficiency of homes by limiting the thermal reflux to 35% compared to single pane glass.

^{*4} The average value for Henley Properties is 5 ACH where the average housing in Australia is 15.4 ACH (ACH is an index that indicates the air leakage per hour at a 50 PA indoor-outdoor air pressure difference. The lower the value the higher the airtightness).



Henley Properties Home



Inspection of Airtightness
Performance

Communication to Improve Quality

Basic policy

Sumitomo Forestry provides proposals for ideal home building to everyone who is thinking about buying a home through continuous communication with useful and effective information offering.

We introduce information helpful in housing development such as the design examples as well as structural and technological information as part of the stream of home building. Next, we provide guidance at showrooms to help customers see Sumitomo Forestry home building and exhibitions to provide a first-hand experience of the warmth in wood. We also provide information in various other forms such as tours in the homes our customers are actually living in.

The project team dedicated to customers formed by Sumitomo Forestry has put in place an application system for support to realize ideal home building. This team fully examines everything in advance to propose precise plans and budgets.

Strengthening Sales Capabilities

Our unique application system will realize ideal home building.

Customers who apply can meet to discuss everything from the exterior and room plan to the interior and outdoor facilities with a home building team dedicated to the customer made up of a person in charge of sales, design, interior design, production and exterior facilities. At the point of application, each person with expert knowledge inquires about the requirements for the home such as the budget, family composition, lifestyle and any other areas of emphasis to help achieve the ideal home in all respects.

In addition, we will ensure ideal home building by escorting our customers to the actual construction site and giving them an image of the real home upon completion.

Model Houses/Showrooms

Sumitomo Forestry has roughly 300 model house venues and about 60 showrooms located throughout Japan. Technology housing display centers in Tokyo, Osaka and Nagoya specialize in appealing to the technological and performance features of Sumitomo Forestry Home houses.

Sumitomo Forestry provides first-hand experience of the attractive living it provides through these model houses.

Sumitomo Forestry model houses have grown to roughly 300 locations throughout Japan with a variety of homes on display with features from western and Japanese rooms to three and four-story houses in addition to smart homes.

1. High-quality Luxurious Wooden Spaces

Each of these model houses let customers interact with luxurious wooden spaces that fully take advantage of design capabilities unique to Sumitomo Forestry, which has cultivated expertise in both the quality and charm

of wood. In particular, visitors can get a taste of the high-quality atmosphere only provided in these real spaces from the flooring made from the world's precious wood and wooden fittings that impeccable fluidity with the interior design.

2. Design Proposals Founded in Comfortable Living

The strength of a structure is obviously important in a home, but a room plan, flow planning and storage plan as well as other aspects to provide comfortable lifestyles is also vital to every family living in the home.

Visitors to these exhibitions can see the innovative room plans and ease of cleaning provided by Sumitomo Forestry with their own eyes. Families with children can also get a picture about raising their children there, including proposals for floor plan and children room as well as a study corner perfect to raise children.

3. Environmentally-Friendly Design and the Latest Equipment

Sumitomo Forestry is revolutionizing design with the Ryouonbou design concept. This design concept aims to incorporate the soothing qualities of nature and facilitate a lifestyle which does not rely too much on air-conditioning and heating systems. Everyone can see the actual innovations at our model houses, such as a design to create airflow from the south to north of the home with wonderful light via deep eaves.

Furthermore, the smart house exhibition builds in an Ene-Farm solar power generation system and fuel cell units for homes as well as central air-conditioning systems in addition to the latest environmental devices.

The Sumitomo Forestry showrooms offer a unique line-up only possible from a home builder. Every visitor can form a specific vision of their home while comparing a broad line-up of curtains, wallpapers, interior materials, furniture as well as exterior materials such as exterior walls and entrance doors in addition to plumbing equipment such as system kitchens and bathrooms.

1. Large Exhibition of a Variety of the Latest Equipment

We exhibit system kitchens from multiple product manufacturers. Design features from the sink tops to the color and texture of doors from different manufactures can be examined while comparing the storage space and convenience. Our exhibitions also provide a sanitary corner for bathrooms sinks and other equipment so that visitors can imagine the usability of these kitchens, restrooms and any other rooms requiring plumbing.

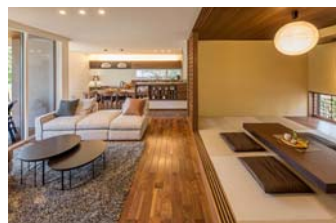
2. Total Coordination of Interiors and Exteriors

A wealth of floor materials, doors and windows, furniture and more are on display together with curtains and wallpaper with a wide variety of colors and patterns. These displays can provide a base to specifically consider an indoor feel suitable to the interior decor of each customers' image. We also have brought together a broad line-up of exterior materials for entrance doors and external walls to help visitors solidify their exterior images, which can offer coordination for the entire home.

Everyone can get a distinct individual feel with wood that varies in color and look for each tree species. The showrooms make available floor materials in addition to a broad range of other interior and exterior materials. Each person can experience the look and actual feel of these materials from the touch to texture which cannot be felt in catalogs or on websites.

3. Exhibition of the Housing Structure and Latest Environmental Devices

Sumitomo Forestry puts on display the housing structure which brings the most concern. This lets potential buyers experience the strength of the structure for themselves. In addition, we have the latest environmental devices on display, such as solar power generation.



Hit Akeno Model Homes (Oita) Opens 2018

Opening a Hands-on Consulting Space

Sumitomo Forestry established the Shinjuku Forest Maison Plaza as a dedicated hands-on consulting space for rental housing in October 2016. This is the first time a major housing manufacturer has established a facility with functions to offer advice about rental management as well as hold exhibitions and seminars. The Maison Plaza exhibits construction and equipment, gives advice about land use and rental management, and periodically holds seminars where people thinking about rental management for the first time can participate. This venue is fulfilling its role as the base for informational communication about the utilization of land.



Shinjuku Forest Maison Plaza

Technology Exhibition

At House Exhibitions at which fosters opportunities to communicate with customers about home building, Sumitomo Forestry set up “technology exhibition houses” where displays special technologies and functionalities of Sumitomo Forestry Home Houses in major cities.

The exhibition houses put in creativity in explaining excellent competencies of wooden homes and structural features of Big Frame Construction Method –Sumitomo Forestry’s own building method that is Japan’s first timber rigid frame structure so that visitors are able to understand through direct exposure to the basic structures of the homes.

Currently, the exhibition houses are in Tokyo, Osaka, and Nagoya, and total visitors exceeded 3,108 groups in fiscal 2017.



Outside of Technology
Exhibition



Inside of Technology Housing
Display Center

Occupational Health and Safety and Environment on Construction Sites

Basic policy

Sumitomo Forestry prioritizes occupational health and safety above all else on housing construction sites. Therefore, we raise awareness about information and important items about safety in employees of the Sumitomo Forestry Group of course but also every worker involved with Sumitomo Forestry Home, such as on-site construction contractors. In addition, Sumitomo Forestry strives to properly dispose of and recycle waste while making every effort to reduce the environmental impact.

Occupational Health and Safety on Construction Sites

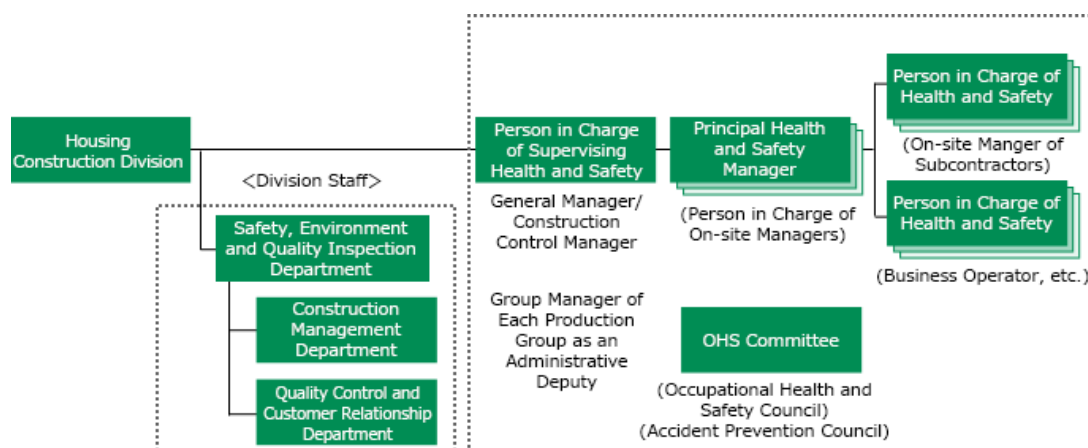
At the beginning of every fiscal year, the Divisional Manager of the Housing and Construction Division formulates an Occupation Health and Safety Policy to provide notification based on circumstances such as the accidents that occurred in the previous period, the state of occupational health and safety promotion as well as compliance with relevant laws. In addition, permeating a safety culture has been designated as a basic policy, and we are working to achieve this in primarily three ways; compliance with the law, promotion of occupation health and safety education and eradication of occupational injuries.





Safety check at construction site

Always raising awareness toward the recognition of safety first permeates this safety culture. Offices, branches and building contractors set important management targets for the fiscal year to eliminate five-types of major accidents; falls, accidents with tools, things tipping over and accidents with heavy machines.

Occupational Health and Safety System for Housing Business Sites (Revised October 1, 2010)



Lost-time injury frequency rate for contractors on housing construction sites

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Number of occupational injuries ^{*1} 	11	11	6	12	9
Lost-time injury frequency rate ^{*2} 	1.98	3.63	2.23	3.35	2.31
Work-related illness frequency rate	0	0	0	0	0

^{*1} The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

^{*2} Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000

After review into housing construction-related working hours in fiscal 2014, the total working hours have been reduced in comparison to fiscal 2013 and earlier.

▶  [About symbol for Independent assurance](#)

Training Designed to Improve Awareness for Occupational Health and Safety

Based on the results of the monthly health and safety patrols and work site surveys, the Housing and Construction Division and each branch organize training programs with specific cases promoting health and safety, targeting the OHS managers, as well as the leaders (subcontractors) in each job category on construction sites.

In addition, training is designed for maintaining safety such as when workers use grinders^{*}, which are fraught with great hazard, and when they work with circular saws, which are susceptible to accidents due to misuse despite being simple and easy to use.

^{*} Operation with an electric tool to cut by rotating a grinding stone



Training for circular saw work

Initiatives to Achieve Zero Emissions

Initiative for Reduction of Industrial Waste Generated at New Housing Construction Sites

Acquisition of the Inter-region Recovery and Recycling Certification by the Ministry of Environment

Sumitomo Forestry acquired the inter-region recovery and recycling certification from the Ministry of the Environment in December 2010. This certification builds an industrial waste recycling system by allowing transport of waste by proprietors other than waste disposal operators.

Our industrial waste management system for new housing construction helps contribute to the rationalization of waste disposal, secure traceability, and collect detailed data about the waste that is produced, including the use of inbound material transporters in collecting and transferring waste.

FY2017 Initiatives to Reduce Waste

In July 2014, Sumitomo Forestry set up the Waste Reduction Working Group comprising representatives from the product development, materials, logistics, design, production and environment divisions. The working group plans and implements a wide range of measures to reduce waste on new housing construction sites.

We discovered two-thirds of all our waste is made up of wood waste, gypsum board and cardboard from detailed data about waste aggregated from the industrial waste management system used under this inter-region certification. We are working to reduce waste by concentration on these three primary forms of waste.

We changed the standards for interior furniture and fixtures, improved gypsum board construction methods for open areas, and revised wood and other curing methods in fiscal 2017. In particular, wood and other curing methods can realize approximately 150 kg reduction of waste (cardboard) per home by replacing conventional disposable curing materials with reusable curing materials. The effect should become visible in fiscal 2018.

Furthermore, we strive to raise awareness on construction sites by providing feedback of data for waste emissions of each property.

Operations at the Metropolitan Area Recycling Center

Sumitomo Forestry used the acquisition of the inter-region recovery and recycling certification to establish the Metropolitan Area Recycling Center in Kazo, Saitama Prefecture for advanced sorting and data collection.

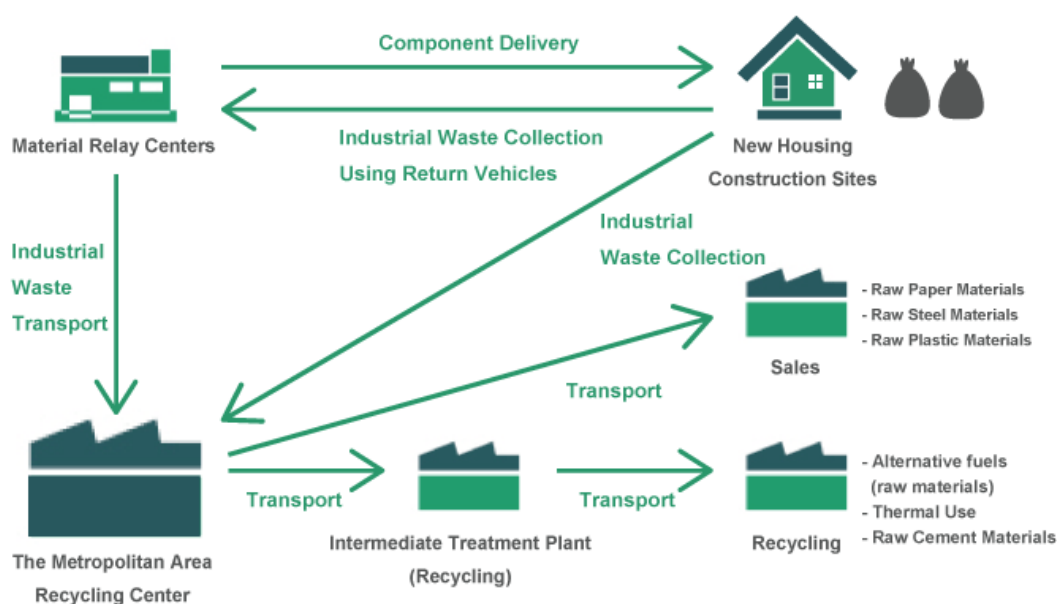
The Metropolitan Area Recycling Center started full operation in fiscal 2012 and has been collecting and processing waste produced by new housing construction sites of the metropolitan and six prefectures of Kanto (Metropolitan Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi, and Gunma prefectures).

Setting up the Metropolitan Area Recycling Center brings data feedback to product development, resource procurement and production management divisions by facilitating the collection of specifications, construction branches as well as the detailed status and trends of waste generation in each region. This data is being leveraged in our initiatives to reduce waste.



The Metropolitan Area Recycling Center

Flow of materials distribution and collection of industrial waste



Initiative for Recycling of Industrial Waste Generated at New Housing Construction Sites

Sumitomo Forestry meticulously sorts waste generated on new housing construction sites. We will raise awareness through mediums such as posters including specific waste information to make sorting to 11 categories of waste easier.

This initiative works to expand operation under the inter-region recovery and recycling certification, build processing routes led by Sumitomo Forestry, and further promote recycling even in regions outside the metropolitan area.

■ Promotion of Waste Reduction and Recycling

The Sumitomo Forestry Group also upholds the 2020 target in its Mid-Term CSR Management Plan to reduce the industrial waste generated at new housing construction sites by 30% from the fiscal 2013 level. In fiscal 2017, the disposed industrial waste per new house has decreased by 15.5% from the fiscal 2013 level.

Reduction Rate of Industrial Waste Generated at New Housing Construction Sites

	Reduction Rate
FY 2013 (Baseline)	-
FY 2015	-2.5%
FY 2016	-8.8%
FY 2017	-15.5%
FY 2020 (Target year)	-30%

Waste Management for Demolition Work

Sumitomo Forestry is strengthening management by building a system able to confirm the type, quality and packaging of waste to transport from demolition work sites using mobile phones and smartphones.

The delivery confirmation invoice sent thanks to input into an electronic manifest checks whether the issuance is correct via our system.

Moreover, this system has been fully adopted by all demolition partners as of fiscal 2013.

Together with Construction Contractors

Sumitomo Forestry publishes monthly safety and environment information that includes information and topics about safety and the environment to help prevent accidents and avoid risks by repeatedly raising awareness at branches and construction contractors.

Safety Training for Construction Contractors

Sumitomo Forestry conducts safety training throughout Japan by visiting builders and demolition contractors throughout Japan. Directly instructing the people working on-site advances our initiatives toward on-site safety and the environment by building understanding about instructions from our company such as permeating a safety culture.

Conducting Environmental Training for Business Partners

In fiscal 2017, we began conducting joint trainings for personnel in charge of industrial waste management and administration personnel in charge of manifest input at demolition contractors at branches. This joint learning environment becomes a venue for communication with our business partners and realizes close contact between branch administration and demolition contractors to ensure smooth electronic manifest input vital to industrial waste management.

Education for Construction Contractors

Sumitomo Forestry holds monthly health and occupation councils at branches for the purpose of preventing construction accidents by promoting health and safety. On-site health and safety patrols help bring awareness about safety to construction contractors and provides advice to enhance knowledge, such as confirming the state of sites and improving guidance.

The District Safety Improvement Committee launched in fiscal 2018 is advancing system development to raising awareness and verify policies and measures in divisions related to safety by strengthening links with offices, divisions, and branches.

Product Liability

Basic policy

Japanese housing policy is encouraging the standardization of excellent long-term housing to transition to emphasis on the importance of creating high-quality stock which is easy to maintain so that each house can be valued and lived in for a long time. Sumitomo Forestry conducts housing maintenance and replaces equipment in addition to providing appropriate proposals such as exterior renovations to sustain comfortable living in the long term for every owner. We are able to create opportunities such as consultation and inquiries through ongoing communication at owners events held in each location throughout Japan in addition to sustaining ongoing asset value through long-term support for the comfortable living of our customers.

Respect for and Application of Customer Feedback

Operation of Sumitomo Forestry Customer Service Department

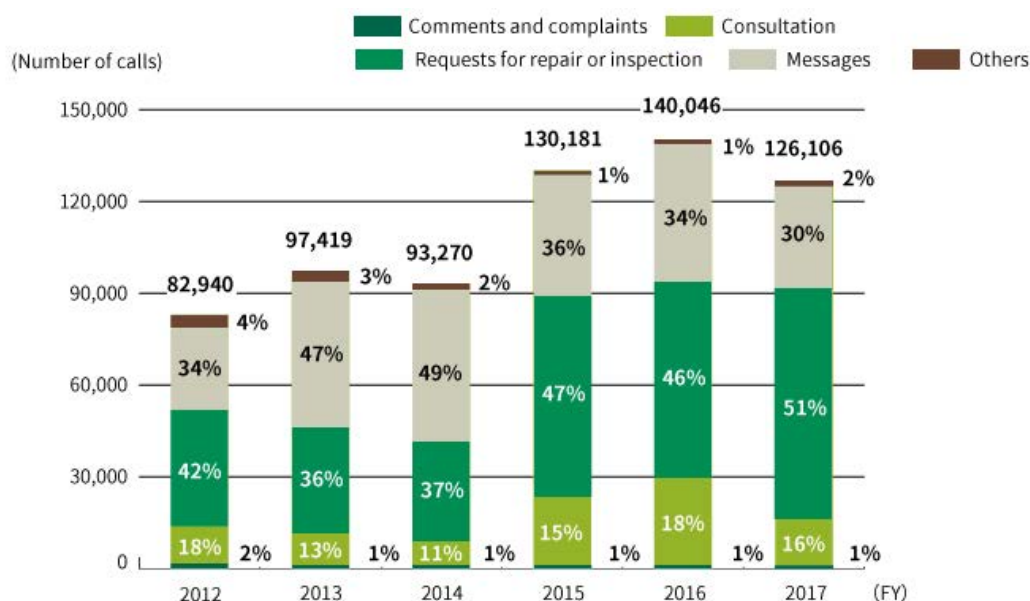
Sumitomo Forestry established the Customer Service Department in April 2000 as a Group-wide customer service help desk. Communicating the opinions and complaints of customers to improve each department as well as management is an important mission for the Customer Service Department in enhancing customer-oriented actions even further. The Customer Service Department holds periodic meetings and working groups with each business division and Group company as well as shares information to provide high-quality products and services which will bring sensation to our customers. The Department discusses the issues and examples of solutions to bring together as specific measures. The measures then are executed throughout the Group, and the Customer Service Department regularly evaluates progress and efficacy of the measures, and undertakes reviews and corrective actions, in line with the PDCA cycle.

Additionally, the Company regularly introduces example creative solutions that can be easily adapted in daily work routine and attributable to customer satisfaction as well as heart-warming stories on the intranet. Direct feedback and opinions of customers sent to the Customer Service Department, details of the consultations and their analysis results, and examples of superior response are consistently communicated to prevent recurrence of factors causing problems. The support for internal training and one-on-one meetings with Group companies are also provided.

Operation of Sumitomo Forestry Call Centers

Sumitomo Forestry established Sumitomo Forestry Call Centers that open 24 hours a day 365 days a year toll free as a consistent dedicated helpline throughout Japan that allows immediate support such as an emergency response lifeline to assist our customers. The telephone number is introduced on magnet cards, owner dedicated websites, magazines and other mediums so that this helpline will be used broadly by our customers.

Presently the centers are located in Tokyo and Fukuoka, and are linked together, shortening wait times for customers who call via the unified national free-dial number. In addition, the system is organized to enable response in emergency situations. The system facilitates prompt response to customer requests and consultations and also strives for improved customer satisfaction.



* The Call Center has been receiving an increased number of calls as general housing support since July 2015. Counting of the total number of calls was changed in fiscal 2017 (to include calls from customers while excluding relevant business partners)

Customer Surveys

Sumitomo Forestry conducts resident surveys three times from the second to tenth year from when residents move in to collect opinions and feedback of owners in order to deliver greater satisfaction and services to customers.

The survey questions primarily cover specifications, design, building materials, systems and fixtures, and the support service provided by the staff. The Company then statistically processes and analyzes these results, and applies any findings to product development and employee training. Customers are also given a short questionnaire at the end of any after-sales maintenance visit or inspection, requesting feedback on such subjects as the attitude and behavior of the maintenance contractor, as well as their response speed and repair techniques.

In fiscal 2017 as an indicator of customer satisfaction, the percentage of customers who responded “I would recommend Sumitomo Forestry Home houses” was 86.9% in the survey of new owners, and 84.0% in the survey of second-year owners.

Furthermore, we have adopted the Net Promoter Score (NPS)* advocated by the housing industry for the purpose of enhancing customer satisfaction. In October 2017, we revised the five stage evaluation to an 11 stage evaluation for the questions above.

We will continue to provide high-quality products and services which bring sensation to our customers by further leveraging customer feedback through the NPS survey analysis.

* NPS is a new index used to measure customer loyalty (amount of trust and affinity for the company and brand)

Communicating Information to Customers in the Housing Business

Website Operation and Magazine Publication

Sumitomo Forestry operates its Club Forest special website for owners of Sumitomo Forestry Home houses. As of March 2018, about 103,000 owners had registered as members.

Lovely Family is a home and lifestyle magazine sent out twice a year. It also features details about Group company activities such as renovation and utilization of lands. About 287,000 prints were issued in fiscal 2017.



The cover of “Lovely Family”

Century-old Home Club Regular Meet-and-Greet Bus Tour

Sumitomo Forestry Home Tech Co., Ltd. established a Century-old Home Club in July 2013 as part of its safe and reliable renovation ideas. It is a members-only club with an aim of preserving historical family houses for future generations. Members include owners of historic houses (constructed prior to 1950) renovated by the company, people currently living in a historic house, or those who plan to purchase a historic house.

In 2017, we held Century-old Home tours in eight locations from October to November to share the traditionally constructed buildings and historic houses refurbished by Sumitomo Forestry to Club members.

A cumulative total of 319 people participated in tours to these traditionally refurbished homes in an opportunity to learn about the value of buildings passed down throughout history.



Regular meeting

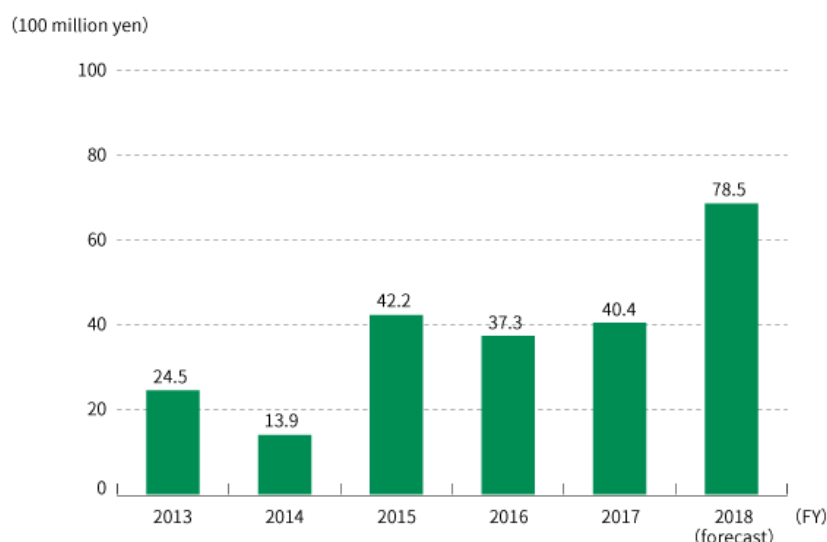
MOCCA (Timber Solutions) Business

Basic policy

Sumitomo Forestry is advancing the MOCCA (Timber Solutions) Business specialized in proposing wooden non-residential medium to large-scale construction to brand MOCCA (Timber Solutions) as a business.

Sumitomo Forestry has been engaging in forest management for more than 300 years. In addition, we create living spaces which take advantage of wood through our expertise in the various properties of wood worldwide. By dramatically furthering wide-ranging experience, knowledge and technology, we propose wider use of wood and timber in non-residential buildings, such as medium to large-scale construction.

Funding Trends for the Mocca Initiatives (Fiscal 2013-2017 Performance/Fiscal 2018 Forecast)



Basic Concept of Product Safety and Quality Control in MOCCA (Timber Solutions) Business

Sumitomo Forestry is promoting MOCCA (Timber Solutions) Business in which proposes wider use of wood in non-residential buildings such as industrial and public facilities. The MOCCA (Timber Solutions) Department provides high-quality buildings with consideration for users' health, safety, and comfort via wooden architecture, and obtained ISO9001 in September 2015 in response to customer expectations. Complying with this international standards, policies were established as shown in the following link. Each plant sets tangible quality targets and a business expansion plan adhering to the policy to attain maintained safety and enhanced product quality.

Quality Policy

We will strive in the efforts below as an organization that loves wood because we believe it is the path to respond to the expectations of our customers by consistently providing high-quality buildings with consideration to people's health, safety, and comfort via wooden architecture.

1. Continually better quality and improve customer satisfaction

We will work to heighten our quality performance and improve customer satisfaction while continually bettering the effectiveness of our quality management systems by conforming to standards and meeting the requirements of our customers.

2. Complying with the law

We will have full knowledge of applicable laws and other requirements we see as a duty for the company in the design and construction of buildings.

3. Establishing policies

We will set quality targets and periodically evaluate our success and revise those targets and goals to specifically promote this quality policy.

4. Conducting Education and Training

We will conduct education and training for the staff we employ to raise awareness so that all of our employees working in the MOCCA (Timber Solutions) Department and the company will understand this quality policy.

5. Publishing this policy

We will publish this policy externally on the Housing and Construction Division's MOCCA (Timber Solutions) Department website.

Product Safety and Quality Management System in MOCCA (Timber Solutions) Business

Sumitomo Forestry MOCCA (Timber Solutions) Department consolidates the quality management system under the aforementioned policy and is building a strict process management system.

The Department also conducts biannual internal audits at all construction sites to follow the PDCA cycle incorporated in the quality management system as stipulated by ISO9001.

Niihama public Besshi Junior High School Dormitory Connecting the Junior High School and Community

The Besshi Junior High School dormitory completed in March 2018. Sumitomo Forestry was selected to be in charge of the design and construction through public proposal in the Niihama Municipal Besshi Junior High School Dormitory tender offer program held by Niihama City in Ehime prefecture.

This facility uses Japanese cypress in the two-story building constructed through the wooden post-and-beam construction method. We propose comfortable spaces as a living space for students realized through wooden construction which has superior thermal efficiency, moisture retention and moisture conditioning.

The entrance hall achieves a space with a historic feel presenting the magnificence of Besshi by using pillars of dressed logs fabricated from 100-year old Japanese cypress harvested in our company-owned forests in Besshi, Niihama. The building is furnished with a cafeteria, a multi-purpose room and a conversation lounge centered in the first floor next to the entrance hall to nourish an area where students, faculty, and families as well as the local community can communicate smoothly. The multi-purpose room and the conversation lounge play an important role in the daily lives of the students and is designed as a relaxing place so that they can spend time and cultivate relationships like family.

The solid Japanese cypress flooring made in Ehime prefecture for the first floor common areas and the half-timbered beams in the cafeteria realize the space filled with the qualities of wood. Everyone can enjoy this attractive indoor space resonating with a deepening wooden flavor as time passes.

The second floor is designed for living and learning for each students and offers eighteen 10.1 m² individual rooms with security and privacy.

Besshi Junior High School has been reinforcing their English and Science programs since April 2016 with the introduction of unique educational curriculum with small class sizes. This distinct curriculum has been brought out through individual educational support via small class sizes under the name Global Junior High School with the aim of raising leaders who will be active on the global stage. The city aims a regional development that takes advantage of the nature, history and culture, through building an environment where students can focus on their learning with peace-of-mind and safety in the dormitory.

Sumitomo Forestry aims to contribute to sustainable growth as part of the regional revitalization effort through establishing cooperative systems uniting the junior high school with the local community with the design and construction of the Besshi Junior High School dormitory.



New Nagasaki Prefectural Hall Observatory First Public Facility to Adopt Ki-Gurumi FR[®]

Sumitomo Forestry was in charge of building the wooden frame construction of the observatory room on the eighth floor of the government building following the construction of the Nagasaki Prefectural Hall. This construction creates a space filled with the qualities of wood in a large-scale building by employing Ki-Gurumi FR[®] for the first time in a public facility as fire-resistant laminated engineered material made from authentic wood.

The new Nagasaki Prefectural Hall was completed in December 2017 with four buildings for government, conference, the police headquarters and parking and has been starting to offer services from January 2018. The observatory room at the top of the government building was delivered with the Ki-Gurumi FR[®], which has been certified by the Cabinet minister for being a one-hour, fire-resistant structure in 2016.

Wooden building materials to ensure fire resistance features often sacrifice the qualities of wood by combining the wood with other materials such as mortar or gypsum board. Sumitomo Forestry has been able to offer the warmth and gentle nature of wood while still ensuring fire resistance features because the Ki-Gurumi FR[®] used in this project is a genuine wood fire-resistant material without any additional materials. Some of the raw materials also use Japanese cedar produced locally in Nagasaki prefecture, which contributes to the use of locally produced materials. The Ki-Gurumi FR[®] materials, handled by our Timber and Building Materials Department, currently has manufacturing bases in four locations throughout Japan (Iwate, Fukushima, Ishikawa, Nara prefectures). This department adapts operations to best suit the needs in the construction area to deliver materials through these manufacturing bases.

Ki-Gurumi FR[®] brings opportunities for more people to feel the quality of spaces made from wood thanks to its adoption in public facilities. We believe wooden constructions to share the qualities of wood in some areas of large facilities such as this one provide great examples for new uses of wood. Sumitomo Forestry will continue to strive to provide a wider variety of solutions illustrating the wonders of wood in the future.

Property Overview

- Building Name: Nagasaki Prefectural Hall Government Building
- Design: Nikken Sekkei Ltd., Matsubayashi Architectural Design Office Co., Ltd. and Ikeda Architects Co., Ltd. Joint Subcontracting Enterprise for Specific Public Construction
- Supervision: Nikken Sekkei Ltd., Matsubayashi Architectural Design Office Co., Ltd. and K.K. Atelier Planning Joint Subcontracting Enterprise for Specific Public Construction
- Construction: Kashima, Jotaki and Horiuchi Subcontracting Enterprise for Specific Public Construction
- Building Architecture: Reinforced Concrete 8-story Building with Partial Wooden Construction
- Total Floor Area: 46,718.23 m² (256 m² Built by Sumitomo Forestry)

Contributions to Eco Cities Through Greening

Greening Business Initiatives

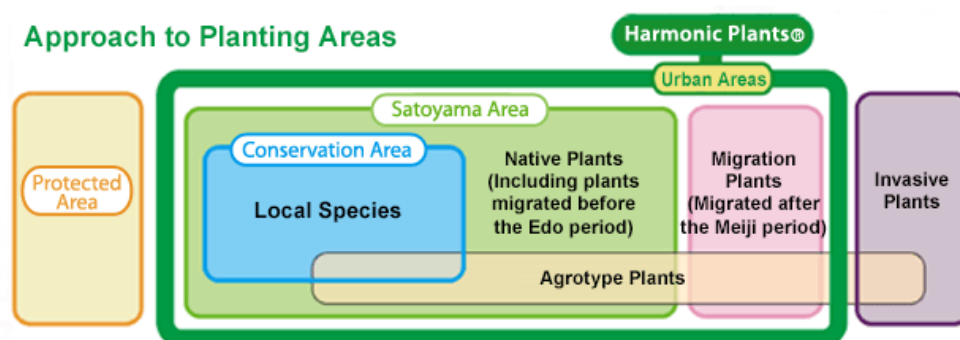
The use of as many plants as possible which are native to the region in urban development is a growing trend as society shifts toward a goal to co-exist with nature.

In the midst of these trends, Sumitomo Forestry Landscaping Co., Ltd. has defined guidelines Harmonic Plants® for selecting plants species based on greening areas with the concepts that using indigenous and local species in greening plans is in the best interest of natural revitalization. The Company has been promoting this model up until now.

There are plants that have grown in Japan since long ago (native plants) and plants that have come to Japan from abroad (migration plants) for trees. Among these migration plants, there are species that will overrun areas where native plants live due to their characteristics, which endanger the biodiversity of the region (invasive plants*) Some of these plants are cultivated plants classified as garden vegetation (agrotype).

Garden vegetation plans are separated into four areas that take into account the conservation level (protected areas, conservation areas, satoyama areas, urban areas) to select plant species based on these areas. For example, in urban areas when building gardens for residences, the colorfulness is represented by selecting a balance of greening plants from non-invasive migration plants around a main selection of native plants, including agrotype plants. In addition, the Group has in place a policy of not using invasive plants that clearly have an adverse impact on local ecosystems and a division responsible for coordinating technology at Sumitomo Forestry Landscaping Co., Ltd. checks that such species are not used.

* Specified alien species and alien species requiring caution as stipulated by the Invasive Alien Species Act



Conservation of Biodiversity Through the Greening Business

Publish of Biodiversity Handbook Vol. 2: Local Vegetation

We are receiving a wide range of concerns for information about what the local vegetation is to the production, distribution and consumption of native plants and the cultivation plans for native plants in addition to future trend of local vegetation.

Sumitomo Forestry Landscaping has responded to these concerns by publishing the Biodiversity Handbook Vol. 2: Local Vegetation in January 2018.

This handbook offers explanations while interweaving cutting-edge examples that use locally cultivated plants to address primarily the information below.

1. Reconstruction projects for the Great East Japan Earthquake using local plants
2. The development of large-scale test driving course using local plants in
3. Beach plant revitalization project using local plants
4. Urban redevelopment using local plants from the Edo period
5. Mixed tree revitalization using local plants cultivate on large-scale artificial grounds

We believe these initiatives will help as one measure for use of local plants toward future revitalization.



Cover of “the Biodiversity Handbook Vol. 2: Local Vegetation”

Publish of An Illustrated Guide to Home Trees Revised Edition

The Ministry of the Environment and The Ministry of Agriculture, Forestry and Fisheries of Japan newly released a list of alien species which harm biodiversity of Japan (list of potentially harmful alien species for biodiversity) for the purpose of deepening interest and understanding about alien species to incite the appropriate action by various independent entities.

This list not only stipulates the specified alien species up until now but also selects alien species which have the potential to become highly invasive to the ecosystem or kill or harm people as well as damage agriculture, forestry and fisheries.

Sumitomo Forestry Landscaping has reorganized criteria for alien species unique to its business in accordance with the regulations on the list of harmful alien species for biodiversity with considerations to further impact on the ecosystem. The Illustrated Guide to Home Trees published based upon this criteria has released a revised edition in March 2017 which replaces some of the tree species included therein.

We will continue to advocate Harmonic Plants[®] and the use of these standards for alien species to include in proposals for plants to customers as well as in raising the awareness of our employees.



Cover of “An Illustrated Guide to Home Trees Revised Edition”

Contributions to Property Development

Forest Garden Hadano, a detached housing complex in Hadano City, Kangawa, received the Business Innovation in Harmony with Nature and Community certification (ABINC certification) in March 2018. This is the first for the detached housing complex and city area category. The ABINC certification system certifies results of biodiversity preservation activities of companies to promote coexistence of nature and people.

The certification began the certification of office buildings and commercial facilities from 2014 and has expanded its scope to include housing complexes and factories. Furthermore, detached housing complex and city area category and city area category and logistic facilities were newly added in fiscal 2017. Forest Garden Hadano received the first certification for the detached housing complex and city area category for its innovative initiatives.

The property design of Forest Garden Hadano is green property that coexists with life. It realizes rich greenery through the use of local tree species and Harmonic Plants®. Consideration toward sustainable circulation of water utilizing spring water was one of the major factors of receiving the certification.

Sumitomo Forestry's greenification is implemented together with the residents by holding study sessions, monitoring, and regularly supporting maintenance of garden vegetation to continue creating rich residential environment and support improvement of asset value.



Forest Garden Hadano

Overseas Greening Businesses

In North Melbourne, Australia, we are leveraging our expertise in a design partnership with Tract Landscape, a local landscape design firm, for the Annadale estate project (1,087 total lots for sale), which is a joint residential development project between Sumitomo Forestry and NTT Urban Development.

In this design partnership that began in January 2017, Sumitomo Forestry proposed a concept, Growing Wellness Life & The Five Senses, for the basic design of Tract. Tract highly evaluated this proposal as a fantastic reference because a story is not usually incorporated into standard design plans in Australia and playground equipment using natural stone and logs was employed to better the motor skills of the children as well as the vegetation plans. Even in the second stage of park planning conducted thereafter, we proposed basic concepts to further tasks to bring together the basic design founded upon this idea.

Green zones in Australia and the U.S. is imperative to raise the value of the estate development and pursue the creation of efficiently green open spaces. We have just begun our efforts in the overseas greening business, but will continue to further these businesses in the future with the aim of creating beautiful and comfortable spaces loved by residents overseas.



Nature Play Equipment Using
Natural Stone

Distribution Business

Value Chain of Distribution Business



Verification of Legal Compliance and Sustainability

Under the Sumitomo Group Procurement Policy, We carries out due diligence on timber procurement to ensure that the procurement is performed in a sustainable manner with consideration of compliance, human rights, labor practice, biodiversity, and local communities.

When performing due diligence, the Company ensures suppliers supply the timber that meets logging compliance requirements and use only the timber products made with raw materials that satisfy the requirements by consulting the provided information.

We have been in accordance with the Clean Wood Act since 2017 and strive to procure legal timber throughout the entire Group.

Relevant Social Issues

In our verification of sustainability and legal compliance, we must directly confront broad social challenges related to wood, such as human rights, labor, biodiversity conservation and local communities. We must continually endeavor to mitigate these challenges, all of which impose risks on our business.

Report on Relevant CSR Initiatives

► [Procurement Initiatives](#)



Procurement

The Sumitomo Forestry Group strives to conduct procurement activities while making considerations about human rights and labor in all timber and products verified to be sustainably and legally compliant as well as conserve biodiversity and contribute to the local community. The progress of these initiatives is reported to the Timber Procurement Committee made up of managers from each section procuring timber to encourage continued improvements in the supply chain.

In addition, given that it is characterized as being a regional industry, Sumitomo Forestry maintains close communication with the suppliers and purchasers of timber and building materials in each region.

Relevant Social Issues

In efforts at the stage of procurement in distribution operations, we verify sustainability and legal compliance while also endeavoring to respond to broad social issues such as human rights, labor, biodiversity conservation and the local community.

Therefore, we have built and work within a management system encompassing the entire Group with the Timber Procurement Committee at the core.

Report on Relevant CSR Initiatives

► [Procurement Initiatives](#)



Delivery and Commercialization

Sumitomo Forestry commercializes and ships the timber that is procured not only as raw wood but also plywood, commercial timber, building materials and other products.

Relevant Social Issues

Sumitomo Forestry provides proper explanations of its initiatives related to social challenges from not only the quality as products but also with certification of sustainability and legal compliance.

Report on Relevant CSR Initiatives

► [Sales Initiatives](#)



Shipping and Sales

The Sumitomo Forestry Group fulfills accountability by encouraging sales of certified timber as well as labeling with considerations to traceability.

Increasing support to generate demand for wood not only from Japan but overseas as well as increasing exports of Japanese timber is helping revitalize forestry in Japan.

Relevant Social Issues

Social challenges related to initiatives at the point of sales such as certified and Japanese timber have themes that include the depletion of forest resources, illegal logging and regional revitalization.

Our Group believes it is our social responsibility to respond to social challenges related to wood now and into the future by encouraging sales of certified materials and Japanese timber.

Report on Relevant CSR Initiatives

► [Sales Initiatives](#)

Procurement Initiatives

Basic Policy of Timber Procurement

Sumitomo Forestry Group engages in responsible timber procurement activities in accordance with the Sumitomo Forestry Group Procurement Policy to deliver legal and sustainable timber. This procurement policy appeals to social and environmental considerations such as the provision of fair opportunities when selecting suppliers and the sustainability of procurement products. Sumitomo Forestry Group has revised the policy in 2015 to broaden the scope of all procurement products to include construction materials such as metals, ceramics and resin products in addition to timber.

Furthermore, in light of the requirements of social such as the Clean Wood Act, we revised our traditional timber procurement criteria to formulate Timber Procurement Standards as well as a Due Diligence Manual in March 2018.

► [Sumitomo Forestry Group Procurement Policy](#)

Promotion System of Timber Procurement Management

Sumitomo Forestry Group established the Timber Procurement Committee, chaired by the general manager of the CSR Department and comprising managers from departments in charge of timber procurement for the trading and housing operations. The committee discusses issues related to group-wide timber procurement, including procurement standards and risk assessments for illegal logging.

Timber Procurement Committee met three times in fiscal 2017 and conducted surveys at 106 suppliers to confirm legality of the import timber. In addition to new and existing suppliers, we conduct operations in a way to ensure legal compliance at least during the previous fiscal year as well as once no more than two years from the current fiscal year.

Percentage of reviews
conducted for wood
product suppliers who
handle directly imported
timber and wood prod-
ucts with verified legal
compliance in FY2020
targets. FY2020 Target
100%

Percentage of reviews
conducted for wood
product suppliers who
handle directly imported
timber and wood prod-
ucts with verified legal
compliance in FY2020
targets. FY2017 result
100%

Sustainable Timber Procurement Initiatives

Promoting Initiatives Adhering to the Procurement Policy

Procurement Policy

Under the Sumitomo Group Procurement Policy, Sumitomo Forestry Group carries out due diligence on timber procurement to ensure that the procurement is performed in a sustainable manner with consideration of compliance, human rights, labor practice, biodiversity, and local communities.

Compliance

When performing due diligence, the Company ensures suppliers supply the timber that meets logging compliance requirements and use only the timber products made with raw materials that satisfy the requirements by consulting the provided information. Normally, the information include names and locations of the producers, held certifications or permits, procured product names, quantities of the products, used wood species, their logging sites, and their main

buyers.

Additionally, the aforementioned information sorted by country, region, wood species, and timber type is then compared with the procurement standards stipulated by Timber Procurement Committee for a risk assessment against illegal logging. For timber products found at medium to high risk, the Company requests additional information from their suppliers, sends its investigators for on-site inspections, and implement measures to mitigate the risk.

Consideration for Human Rights, Labor, Biodiversity Conservation and Local Communities

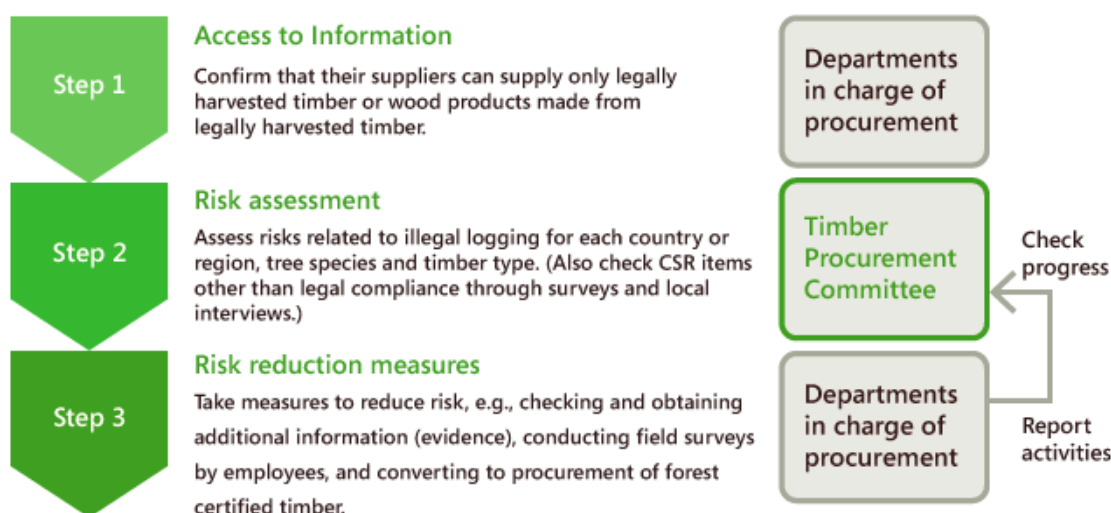
Following items are checked, through supplier surveys and local interviews for the products that are being procured:

- Whether the rights of workers and local inhabitants are abused in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices take place with consideration for these rights.
- Whether the high conservation values forests are included in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices with consideration to forests with high conservation value.

Review

Continued efforts to improve the supply chain is encouraged through the reports on the progress of these activities from sections in charge of timber procurement.

Timber Procurement Management System



* In addition, non-compliance matters are reviewed through surveys and interview assessments.

On-Site Inspection in Romania

Several environmental groups have expressed their concerns over illegal logging in the forest management and timber production in Romania in recent years. In this on-site inspection, we observed the lumber manufacturing of the supplier and the primary harvest of logs that is actually transported to the plant. The supplier properly checks transport permits and the logs bundled on the trailer when receiving raw material logs at the lumber manufacturing plant. For example, the visiting staff was able to confirm that the supplier is thorough in segregated management to make sure not to use logs brought in that exceeds the amount permitted and it is engaging in measures that include reporting to the forestry authorities. We received an explanation of forest management from a forest ranger on the harvest land and checked the actual hammer stamp mark and process when loading the trailer in the field. In addition, we confirmed the care in work to preserve the rare forest ecosystem by observing the forest conservation areas under the jurisdiction of Romania.



Inspection of harvest land still covered in snow



Check when loading the trailer



Properly checking the delivery at the plant using tablet terminals



Segregated management of round wood beyond the amount on the permit

Response to the Clean Wood Act

The Act on Promotion of Use and Distribution of Legally-harvested Wood and Wood Products (the Clean Wood Act) was enacted in May 2017 for the purpose of encouraging use of timber from trees harvested in compliance with the laws and regulations of Japan and other countries and to create a market where illegally logged timber which damages the environment is not made available. Sumitomo Forestry has registered the Timber and Building Materials Division which conducts the import and sales of timber as a Type 1 Wood Related Entity in November 22, 2017 as the First Clean Wood Act Registration. Sumitomo Forestry Wood Products has subsequently been registered as a Type 1 and Type 2 Wood Related Entity (purchase and sale of timber) as of February 20, 2018. We have also registered the Housing and

Construction Division (March 16, 2018) and Sumitomo Forestry Crest (May 9, 2018) as Type 2 Wood Related Entities as part of our efforts to procure legal timber throughout the entire Group.

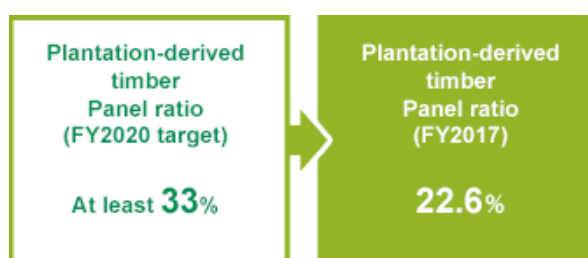
Registered Wood Related Entity	Type	Registration Date	Registration Number	Agency Issuing Registration
Timber and Building Materials Division	Type 1 Wood Related Entity	November 22, 2017	No. JIA-CLW- I 17001	Japan Gas Appliances Inspection Association
Building Materials Procurement and Logistics Department, Housing and Construction Division	Type 2 Wood Related Entity	March 16, 2018	No. HOWTEC-CLW- II 0001	Japan Housing and Wood Technology Center
Sumitomo Forestry Wood Products	Type 1/Type 2 Wood Related Entity	February 20, 2018	No. JAFTA-CLW- I II -3	Japan Forest Technology Association
Sumitomo Forestry Crest Co., Ltd.	Type 2 Wood Related Entity	May 9, 2018	No. JIA-CLW- II 18002	Japan Gas Appliances Inspection Association

Promotion for Sales of Environmentally-friendly KIKORIN-PLYWOOD

Sumitomo Forestry has set a ratio of products that use plantation trees and certified timber from the procurement of import wood board products such as plywood as a 2020 target and it strives to expand this business. Plywood that uses 50% or more plantation timber, FSC-certified or PEFC-certified timber is marketed as KIKORIN-PLYWOOD, and some of its revenue is invested in plantation businesses in Indonesia.



KIKORIN-PLYWOOD



Sales of KIKORIN-PLYWOOD

2013	2014	2015	2016	2017
31,100m ³	31,900m ³	28,100m ³	30,200m ³	46,255m ³

Participation in JBIB

Sumitomo Forestry participates as a member in the Japan Business Initiative for Biodiversity (JBIB), made up of companies which engage in activities which aim to conserve biodiversity. In fiscal 2017, we worked to research sustainable raw material procurement in the raw material procurement working group.

Communication with Our Business Partners

In the distribution operations of timber and building materials, given that it is characterized as being a regional industry, Sumitomo Forestry maintains close communication with the suppliers and purchasers of timber and building materials in each region.

Main Communication Activities with the Business Partners of the Timber and Building Materials Division

Name/scale	Description
The Sumirin club –a membership organization to communicate with regional suppliers of timber and building materials Number of members: 873 companies (as of July 2017)	Established in different regions around Japan as a forum for communication with business partners for distribution operations of timber and building materials. Training sessions and informational exchange meetings are held two or three times a year in each region, allowing members to deepen mutual friendships, promote product R&D, enhance production and distribution, and support improvements in the industry as a whole.
Publication of Building Materials Monthly Monthly print run of approximately 4,200 copies	With a history spanning more than half a century, this monthly magazine publishes timely information and topics regarding timber, building materials and the housing industry from a distinctive perspective unique to Sumitomo Forestry.

Sales Initiatives

Basic policy

Sumitomo Forestry Group engages in responsible procurement in accordance with the Sumitomo Forestry Group Procurement Policy. This policy promotes the procurement of timber from forests with emphasis on Japanese timber, plantation timber and timber from certified forests.

Promoting Sales of Certified Timber

The Sumitomo Forestry Group is committed to building reliable supply chains with its suppliers and procuring sustainable timber, and accordingly, uses and supports third-party certification— forest certification systems as indices that insure the timber are procured from sustainably managed forests.

Moreover, the Group believes that by obtaining certifications itself and providing certified timber to markets and consumers, it is able to contribute to promote the forest certification systems.

The status of certification at the Sumitomo Forestry Group has 219,000 hectares with the FM certification and ten organizations with the CoC certification.



Status of Sumitomo Forestry Group Forest Certification/ CoC Certification^{*1}

Certified Forests (Company)	Certification System	Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry Co., Ltd. International Marketing Department, and Branches, Timber and Building Materials Division	FSC®	March 28, 2006	CU-COC-823910 / CU-CW-823910	Control Union Certifications
	PEFC	September 22, 2008	CEF1201	Japan Gas Appliances Inspection Association (JIA)
Sumitomo Forestry Co., Ltd. Timber and Building Materials Department and Hokkaido Branch, Timber and Building Materials Division MOCCA (Timber Solutions) Department, Housing and Construction Division	SGEC	January 24, 2017	JIA – W045	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Co., Ltd. Hokkaido Branch, Timber and Building Materials Division Construction Materials Development Department, Housing and Construction Division	SGEC	October 1, 2007	JAFTA-W038 ^{*2}	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Wood Products Co., Ltd.	SGEC	September 25, 2006	JAFTA-W017	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Crest Co., Ltd.	FSC®	September 13, 2009	SGSHK-COC- 006693	SGS
	SGEC	December 26, 2007	JAFTA-W041	Japan Forest Technology Association (JAFTA)
Nelson Pine Industries Ltd. (NPIL) (New Zealand)	FSC®	June 22, 2009	SAI-COC- 001290 / SAI-CW-001290	QMI-SAI CANADA Limited
PT. Kutai Timber Indonesia (KTI) (Indonesia)	FSC®	January 10, 2005	TT-COC-002009	BM TRADA
PT. Rimba Partikel Indonesia (RPI) (Indonesia)	FSC®	October 15, 2012	TT-COC-004325	BM TRADA
PT.Sumitomo Forestry Indonesia	FSC®	April 26, 2016	TT-COC-005903	PT. Mutuagung Lestari
Sumitomo Forestry (Singapore) Ltd.	FSC®	January 28, 2008	RA-COC-005542 / RA-CW-005542	Rainforest Alliance

*1 CoC (Chain of Custody) certification is a system to certify companies operating processing and distribution of forest products. It tracks the certified forest products (logged in the certified forests) in the course of processing and distribution and certifies that the risk evaluation is conducted for non-certified timber, and allows to the certification label on the products whose entire production process is CoC certified.

*2 Includes operators other than Sumitomo Forestry Group companies due to being a comprehensive certification.

Major Forest Certification Systems

FSC (Forest Stewardship Council®) (FSC-C113957)

FSC is an organization founded in 1993 led by World Wide Fund for Nature (WWF) and consists of representatives from environmental organizations, forest workers, timber users and traders, human rights organizations, and local forestry unions. It is considered a pioneer amongst forest certification system operators.

Adhering to the 10 principles and 56 regulations encompassing environmental impact, local society, and indigenous people's rights, FSC-accredited certification bodies will undertake reviews. Recently, country or regional standards as well as the review procedure for small-scale forest owners have been introduced to provide greater support for diverse forests and owners.

PEFC (Programme for the Endorsement of Forest Certification)

Forestry organizations of 11 European countries established PEFC together in 1999 as an organization to mutually authenticate the system of each country. PEFC does not directly authenticate an individual forest, but when the PEFC's required conditions that adapted "the inter-governmental process" implemented by 149 countries is met, the country's own forest certification system is authenticated by PEFC. Joined by non-European countries in 2003, the organization originally called Pan European Forest Certification Schemes changed its name to Program for the Endorsement of Forest Certification. Since then, PEFC has shown drastic growth, and to date its total certified area is the largest across the world.

Sustainable Green Ecosystem Council (SGEC)

SGEC authenticates forest management that demonstrates both rich natural environment and sustainable timber production in Japan. With reverence for Japan's indigenous natural environment, social customs, and culture, the review premises on seven criteria. SGEC can also authenticates forestry operations and distribution systems under CoC. SGEC joined PEFC in November 2014 and submitted a mutual authentication application to PEFC in March 2015, which was mutually approved in June 2016.

Promoting Wider Use of Certified Timber

The utmost importance in the sales of certified timber is the separate management of certified and non-certified materials. The CoC certification by incorporating a third-party authentication insures that the timber sold to customers are produced in the certified forests.

The Sumitomo Forestry Group sets the proportion of certified timber among the sales volume of imported timber as an indicator and is working to increase the figure to 12% or above by 2020. In fiscal 2017, indicative figure was 12.8%.

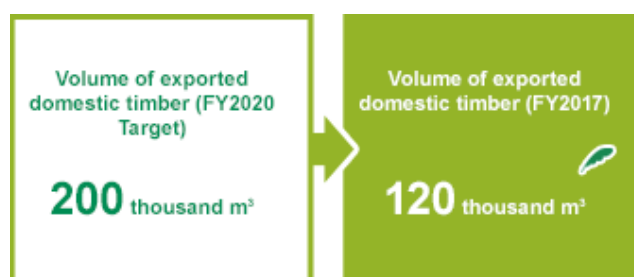
As for timber certified by SGEN, the certification system unique to Japan, the Group has set the 2020 sales volume target at 85,000 m³. In fiscal 2017, the indicative figure was 78,000m³.

Independent Assurance for Export of Domestic Timber

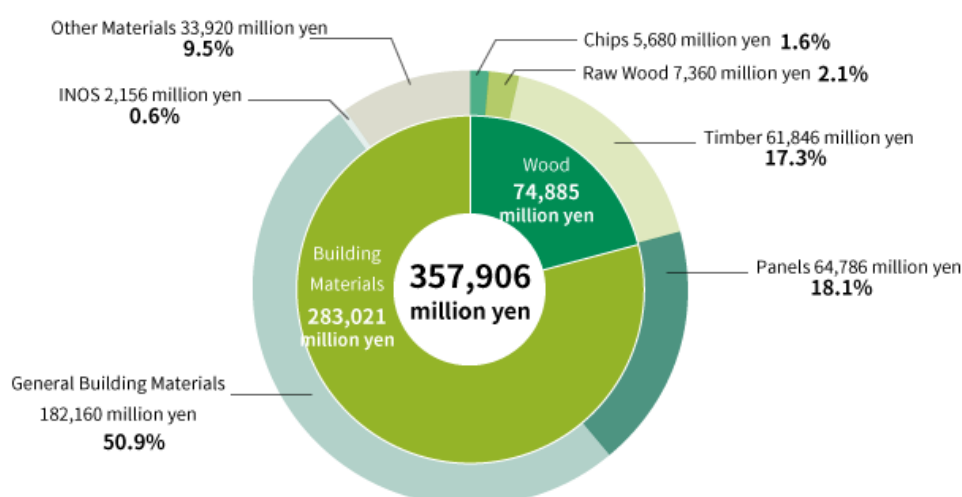
Overseas demand for timber is forecast to grow in emerging countries including China propelled by economic development and population growth. Influenced by such circumstance, Japanese timber exportation is also on the rise in recent years, and thus, the Sumitomo Forestry Group set goals for fiscal 2020 and is entering new overseas market opportunities for domestic timber.

In fiscal 2017, avenues opened to new ports and exports began in areas outside of Kyushu as the volume of exports increase from existing ports centered upon Kyushu in response to the high demand of China as the primary country for exports. This realized a dramatic growth compared to the previous fiscal year with 120,000 m³ of exports.

▶ [About symbol for Independent assurance](#)



Breakdown of Net Sales in the Timber & Building Materials Business (Non-consolidated)



Manufacturing Facilities

Value Chain of Manufacturing Operations



Product Development/ Raw Material Procurement

Sumitomo Forestry Group uses the renewable resource of wood as a primary raw material for building production in manufacturing facilities.

Therefore, we are making efforts to positively utilize plantation and certified timber in product development and procurement.

Relevant Social Issues

Sumitomo Forestry Group uses raw materials which make considerations toward the natural environment and legal compliance such as plantation and certified timber in product development and procurement at manufacturing facilities. These efforts relate to social challenges such as the depletion of forest resources and illegal logging. Our Group is contributing to solving these challenges through responsible procurement activities.

Report on Relevant CSR Initiatives

► [Procurement Initiatives](#)





Processing/ Production

The Sumitomo Forestry Group engages in quality control in manufacturing facilities under the ISO9001 international quality management system and its own unique quality policy. Our quality control does not stop at the production of high-quality products but also strives to build products with even greater safety.

Furthermore, there are many employees work in these manufacturing facilities both in Japan and overseas. Establishing an environment with occupational health and safety is the responsibility of our Group and always aims to achieve accident-free facilities. In addition, we are putting our strength into resource saving and recycling due to the variety of waste produced in the manufacturing processes for construction.

Relevant Social Issues

Process and production stages relate to social challenges that include ensuring product safety, occupational health and safety as well as resource recycling.

We are building a quality control system in addition to incorporating international standards to respond to these challenges. By putting safety measures and recycling systems in place, we are also able to offer a safe and secure production environment.

Report on Relevant CSR Initiatives

- ▶ [Product Safety and Quality Control](#)
- ▶ [Initiatives at Plants of Building Components](#)





Shipping/ Product Sales

Sumitomo Forestry Group ships and sales products made from various processes and production to each country around the world. In sales, we provide products that always prioritize the satisfaction of our customers from shipment to support in construction.

In conjunction with acquiring ISO certifications at overseas manufacturing plants, Sumitomo Forestry has proceeded to standardize its manufacturing operations, and has built a production system which allows it to provide products of consistent quality and has begun sales for Japan with strict quality requirements.

Relevant Social Issues

The Sumitomo Forestry Group does business in each country by complying with the rules and regulations from a compliance perspective for shipments and product sales. In addition, we strive to reduce CO₂ emissions produced in transport with the purpose of saving energy and reducing greenhouse gas emissions.

Report on Relevant CSR Initiatives

- ▶ [Product Safety and Quality Control](#)
- ▶ [Reducing CO₂ Emissions from Transportation](#)

Procurement Initiatives

Basic policy

Sumitomo Forestry Group uses the renewable resource of wood as a primary raw material in manufacturing facilities and in accordance with Sumitomo Group Procurement Policy to promote daily activities.

Promoting Sustainable Timber Procurement

PT. Kutai Timber Indonesia (KTI), a production site in Indonesia, has been working to build a system for sustainable forest management in cooperation with local plantation cooperative associations to heighten the ratio of plantation timber used as raw materials.

KTI also began reforestation with fast-growing trees such as Falcata (*Albizia falcataria*) in 1999. With the system of "social forestry", KTI has aimed to support the environment, community and economy by distributing seedlings to local residents for free to plant on the lands they own and promises to purchase timber when the trees are mature at its market value. In addition, the KTI Reforestation Cooperative supported by KTI (KBM KTI)* has acquired the FSC-FM certification for forests owned by KTI (KAM-KTI)*.

In the future, KTI will strive to expand the manufacture and sales of products with high environmental value by expanding the area of certified forests and procuring sustainable timber in order to fulfill the requirements of many of our business partners.



View of Plantation Forest

* KAM KTI : FSC-C023796, KBM KTI : FSC-C133562

Product Safety and Quality Control

Safety and Quality Control in the Domestic Manufacturing Operation of Wood Building Materials

Basic Policy for Product Safety and Quality Control

Sumitomo Forestry Crest Co., Ltd. has established a quality policy based on ISO 9001 as described below. Each plant and division has formulated specific quality targets and action plans in line with this quality policy, and is committed to maintaining safety and improving quality.

Furthermore, in fiscal 2018, we will work to improve quality and service by reviewing quality standards and inspection following the update to the 2015 version of the ISO 9001 quality management system.

Sumitomo Forestry Crest Co., Ltd.'s Quality Policy

1. Provide products that always give first priority to customer satisfaction, from product development and manufacture, to distribution and post-construction follow-up.
2. Cooperate with internal and external partners, understand appropriate costs, and manufacture in a way that ensures safety, performance and quality.
3. Establish quality targets, and develop systems that allow all employees to make continual improvements.

Framework for Product Safety and Quality Control

Since October 2010, Sumitomo Forestry Crest Co., Ltd. has been operating with integrated ISO 9001 at its plants nationwide. Having developed a framework for quality control based on the quality policy as well as a strict framework for process control, the company manufactures products of high quality. Furthermore, by utilizing a quality information management system, the company endeavors to reflect market feedback and demands back into the production site.

Internal audits are also carried out twice a year at all plants for the purpose of following the PDCA cycle for the quality management system established under ISO 9001. In order to build the capacity of employees in quality control, the company also puts effort into education on how audits are conducted and into employees getting qualifications.

Promotion of Quality Improvement Activities Based on Company-Wide Targets

Sumitomo Forestry Crest Co., Ltd. has set quality targets at each plant and division, and is promoting quality improvement activities.

During fiscal 2017, it strived to enhance and maintain quality control systems at manufacturing locations as well as at business partners' plants.

In fiscal 2018, it will also maintain those control systems in addition to improving through efforts with the 5-Why Method and measures against human error in order to continually further activities.



Quality check in plant

Sumitomo Forestry Launches Full-scale Sales of Light, low-cost and Attractively-Designed Wooden Fire-prevention Door Using Balsa

Sumitomo Forestry Co., Ltd. launched in May 2015 full-scale sales of original wooden fire-prevention doors, made from “balsa” known as the lightest timber in the world, which are lighter, less-expensive and more attractively-designed than existing products. The product was developed to meet the needs of wooden fire-prevention doors in three- and four-story buildings in urban areas, and in constructions for mixed use such as medical facilities with adjacent accommodation. The doors are also environmentally-friendly products, with the raw material balsa being sourced from plantation timber raised from saplings and processed by a Group company, PT. Kutai Timber Indonesia (KTI).



Unique wooden fire-prevention doors made from balsa

Product Safety and Quality Control in the Overseas Manufacturing Operation of Wood Building Materials

Basic Policy and Framework for Product Safety and Quality Control

Group companies engaged in the manufacture of wood building materials overseas have acquired quality certifications such as ISO 9001, Japanese Industrial Standards (JIS) and Japanese Agricultural Standards (JAS). In line with the requirements of these certifications, each company has established policies and standards for quality control, and through education and training, strives to ensure that its employees understand them well. Furthermore, each company is making ongoing improvements to quality control management systems by means of annual certification audits through external organizations as well as periodic internal audits.

The quality standards of every company are being further improved to provide greater safety by focusing on communication and feedback from users about product safety and quality, especially in the production of products for Japan which demands the utmost safety and quality.

► Acquisition of Quality-Related Certification

Standardization of Operations, and Promoting Acquisition of ISO 9001 Certification

Vina Eco Board Co., Ltd. (VECO), which started commercial production of particleboard in Vietnam in May 2012, acquired ISO 9001 certification in April 2014 and Japan Industrial Standards (JIS) labelling certification in December 2015. In conjunction with acquiring ISO certification, Sumitomo Forestry has proceeded to standardize its manufacturing operations, and has built a production system which allows it to provide products of consistent quality and has begun sales for Japan with strict quality requirements.



Quality control laboratory at
VECO

Initiatives at Plants of Building Components

Occupational Health and Safety Initiatives

Initiatives in Japan

Sumitomo Forestry Crest Co., Ltd.'s basic policy is to move "from zero accidents to zero danger." Its goal is to achieve zero occupational injuries by nipping danger in the bud. To achieve this, Sumitomo Forestry Crest began operating an Occupational Health and Safety Management System (OHSMS) in July 2012, and acquired OHSAS 18001 certification in February 2013. Through repeating the PDCA management cycle with near-miss incident reports submitted voluntarily by employees and sharing opinions through small-circle activities at each workplace, efforts are being made to reduce risks while engaging in production. There were no occupational injuries in fiscal 2017.

Number of Occupational Injuries in the Manufacture of Wooden Building Materials

FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
5	0	0	1	0

* The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

Safety Patrols and Risk Assessments

Each plant of Sumitomo Forestry Crest regularly conducts safety patrols at the workplace with the goal to move "from zero accidents to zero danger". Any sign of danger discovered in these patrols is immediately addressed with safety measures to prevent that risk from being realized.

Furthermore, Sumitomo Forestry Crest is committed to ensuring the safety of its workplaces, by identifying operations and facilities at risk, such as of workers getting caught in machinery, and by focusing on reducing those risks.



Safety patrol

Overseas Initiatives

The Sumitomo Forestry Group are strengthening safety measures at overseas manufacturing companies* where the number of occupational injuries increased in fiscal 2015 year and has introduced measures that include the adoption of zero accident procedures (risk prediction training and risk assessment) in Indonesia where its manufacturing sites are concentrated. We also implemented safety promotion procedures at other preceding group companies.



Risk prediction training for local employees at Indonesian manufacturers

* Six consolidated companies: Nelson Pine Industries, Kutai Timber Indonesia, AST Indonesia, Sinar Rimba Pasifik, Canyon Creek Cabinet, and Vina Eco Board

Number of Occupational Injuries in the Manufacture of Wood Building Materials

FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
13	6	18	16	23

* Indicates the number of injuries eligible for compensation benefits for a temporary absence from work under the Industrial Accident Compensation Insurance Act of Japan.

Forest Management

Value Chain of Forest Management



Seedling Farming and Cultivation

Sumitomo Forestry Group was in the lead to modernize seedling production considering a decline in producers and other concerns. We are contributing to the sustainability of forest resources and active resource production through efforts such as the construction of greenhouse-type cultivation facilities with the proper environmental management by using proprietary production technology for seedling containers.

We have put in place a system capable of producing 1.3 million seedlings annually throughout Japan as of fiscal 2017.

Relevant Social Issues

In addition to resource recycling and other environmental issues, we have taken the first step toward sustainable forest management. These steps are related to solving broad social challenges such as regional revitalization in addition to resource recycling and other environmental challenges.

Report on Relevant CSR Initiatives

- ▶ [Sustainable Forest Management](#)
- ▶ [Protecting and Utilizing Domestic Forest Resources](#)





Cultivation

The Sumitomo Forestry Group manages a total 47,977 hectares of its own forests in Japan and a total of around 230,000 hectares of managed area overseas.

The Group works to maintain and enhance the public functions of these forests by implementing appropriate management for raising forest such as carrying out underbrush clearing, pruning, thinning and other appropriate management.

Relevant Social Issues

Forests are managed in a way that allows the diverse needs for timber to be lastingly satisfied by maintaining a healthy ecosystem throughout the forest while receiving benefit of the timber it provides. This management not only contributes to revitalizing the forestry industry but also response to both economic and environmental social challenges, such as climate change measures and biodiversity conservation.

Report on Relevant CSR Initiatives

- ▶ [Protecting and Utilizing Domestic Forest Resources](#)
- ▶ [Forest Management Overseas](#)
- ▶ [Utilization of Overseas Plantation](#)





Harvest/ Transport

The Sumitomo Group logs trees in its own forests and manages based on long-term logging plans.

In Forest operation, thinning is properly carried out while considering the surrounding environment such as ecosystems in order to maintain and expand forest resources. Sumitomo aims for highly productive management of its forests based on operational plans that follow the principle of performing the appropriate management for the appropriate tree species on the suited land. The timber that is harvested is transported to business partners and plants. The Sumitomo Forestry Group furthers mechanization of transport operations and supports the use of domestic timber through the reduction of costs.

Relevant Social Issues

Sumitomo Forestry Group realizes sustainable forest management by logging under long-term plans to address a variety of social challenges, including resource recycling and response to climate change as well as the conservation of biodiversity.

In addition, ensuring the safety of every worker is an important issue when harvesting trees. Sumitomo Forestry Group pays close attention to the occupational health and safety of every employee who is working for the Group, including business partners.

Report on Relevant CSR Initiatives

- ▶ [Sustainable Forest Management](#)
- ▶ [Occupational Health and Safety in the Forestry Business](#)



Site Preparation/ Planting

The Sumitomo Forestry Group prepares plantations that have been harvested to build an environment allowing subsequent planting.

Relevant Social Issues

The Sumitomo Forestry Group always recognizes sustainability from an environmental perspective in a cycle that starts with planting, cultivation, harvest, use, and back to planting. We strive to address social issues such as use of Japanese timber and forest revitalization.

Sustainable Forest Management

Sustainable Forest Management

Forests perform a variety of functions for the public good, such as storing and purifying water, preventing floods and landslides, absorbing and retaining CO₂ which is linked to global warming, and preserving biodiversity.

On a basis of appropriate management, the Sumitomo Forestry Group advances sustainable forest management both in Japan and overseas to ensure that timber resources will be available in perpetuity while preserving the public functions of forests.

Forest Management and Timber Usage



Promoting Certification of Forests

The Sumitomo Group promotes the acquisition of the SGEF forest certification for forests owned in Japan as well as the FSC forest certification for plantations overseas while advocating broader use of certified timber in upstream forest management, middlestream timber distribution and downstream construction of wooden houses.

Status of Sumitomo Forestry Group Forest Certification/FM Certification ^{*1}

Certified Forests (Company)	Certified Area (ha)	Certification System	Date Certified	Certification Number	Certification Issuing Body
Forests Owned by Sumitomo Forestry	46,213	SGEC	September 25, 2006	JAFTA-010	Japan Forest Technology Association (JAFTA)
Open Bay Timber Ltd. (OBT) (Papua New Guinea)	12,854	FSC®	September 12, 2016	RA-FM/COC-005600	Rainforest Alliance
	7,066	FSC®	October 11, 2017	RA-CW/FM-003093	Rainforest Alliance
OBT Total	19,920				
PT. Wana Subur Lestari (WSL) (Indonesia)	40,750	PHPL ^{*2}	June 25, 2013	LPPHPL-006-IDN	PT Almasentra Konsulindo
PT. Mayangkara Tanaman Industri (MTI) (Indonesia)	74,870	PHPL ^{*2}	September 24, 2013	015/EQC-PHPL/IX/2013	PT Equality Indonesia
Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI) (Indonesia)	1,005	FSC®	December 22, 2008	SA-FM/COC-002083	Woodmark
Koperasi Bromo Mandiri KTI (KBM KTI) (Indonesia)	207	FSC®	January 4, 2017	SA-FM/COC-005493	Woodmark
Tasman Pine Forests Ltd. (TPF) (New Zealand)	36,200	FSC®	September 7, 2016	SGS-FM/COC-010806	SGS South Africa (Pty) Ltd.

^{*1} Forest Management (FM) certification authenticates sustainable forest management by having a third-party inspect based on objective indicators with focus on: (i) compliance with laws and system frameworks, (ii) forest ecosystem and biodiversity maintenance and conservation, (iii) respect for rights of indigenous people and local communities, and (iv) maintenance and enhancement of forest productivity.

^{*2} Pengelolaan Hutan Produksi Lestari (PHPL) is an Indonesian certification of sustainable production forest maintenance.

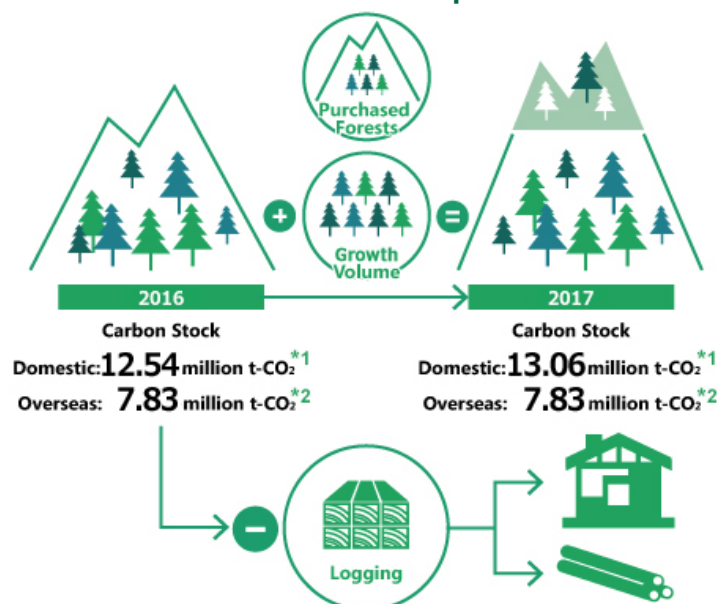
Cultivation—Preserving the Public Functions of Forests Through Appropriate Management

The Sumitomo Forestry Group manages a total 47,977 hectares of its own forests in Japan and a total of around 230,000 hectares of managed area overseas. The Group works to maintain and enhance the public functions of these forests by carrying out underbrush clearing, pruning, thinning and other appropriate management required for them to grow.

Carbon stocks ^{*} of the Company-owned forests in Japan in fiscal 2017, the amount of immobilized carbon dioxide at beginning of fiscal 2016 were 13,060,000 t-CO₂ (up by 520,000 t-CO₂ from the previous fiscal year) whereas those of overseas plantations were 7,830,000 t-CO₂ (up +7,763t-CO₂).

* The amount of CO₂ absorbed by forests and stored as carbon. Calculated using a formula that multiply volume density, carbon content, and other coefficients set per type of tree against the accumulated amount in the forest. Furthermore, if there is a purchase of large forest during this period, they are omitted as its increase of accumulated amount within the last year cannot be identified. Natural trees and planted trees are within the scope in Japan but only planted tree are included for overseas.

Carbon Stock of Forests in Japan and Overseas



*1 Domestic: Carbon stock as of the beginning of each fiscal year

*2 Overseas: Carbon stock as of the beginning of each calendar year

Harvesting—Supplying Timber Products Through Systematic Harvesting

The Sumitomo Group logged 68,331m³ of trees in Japan and 1,161,680 m³ of trees in overseas in fiscal 2017 in forests it owns or manages based on long-term logging plans. Harvested trees are milled and processed before finally reaching the market as products such as housing and furniture. In the case of timber turned into structural members for housing, the products are used for several decades.

Trees retain CO₂ as carbon even after they are turned into products. Using timber products and constructing wooden houses can therefore be likened to building forests in the city.

The total domestic carbon stocks in timber that was used in construction of the houses in the MOCCA (timber solutions) business in fiscal 2017 reached 185,000 t-CO₂.

The Sumitomo Forestry Group helps to increase carbon stocks even in cities by advancing the construction of houses and the MOCCA business, thereby contributing to global warming prevention efforts.

* Calculated as carbon dioxide fixation per newly built detached houses multiplied by number of houses completed until fiscal 2015. From fiscal 2016, CO₂ fixation is calculated by separating actual amount of wood used for new detached houses, rental housing, and MOCCA (Timber Solutions) business and calculating the carbon content based on their specific gravity.



Carbon stock of the timber used in the construction of houses and MOCCA (timber solutions) business in Japan in fiscal 2017

Usage—Wood Can Be Reused and Does Not Increase CO₂

Even after being dismantled or at the end of their product life, wooden construction and timber products can be reused as fiberboard or other wood materials in construction or as raw material for making paper, and all that time it will continue to retain CO₂. The CO₂ released when timber is ultimately burned as a wood fuel is what has been absorbed from the atmosphere as trees grow, and therefore it does not represent an increase in CO₂ in the atmosphere over the life cycle of the tree.

Planting—Preparing for the Next Cycle

Harvesting and using timber alone will lead to a diminishing of forest resources. The Sumitomo Forestry Group therefore promotes sustainable forest management by always planting new trees after harvesting.

In fiscal 2017, the Group planted approximately 142 hectares of forests in Japan and around 8,280 hectares overseas. The newly planted trees will absorb CO₂ during their growth and retain it as carbon.

Contributing to Reductions in Greenhouse Gas Emissions by Utilizing Forest Management and Reforestation Know-How

The Sumitomo Forestry Group applies its expertise in areas such as sustainable forest management and reforestation to projects that contribute to limit greenhouse gas (GHG) emissions. The Group will gather the knowledge to apply with new systems, such as REDD+*, which is currently under consideration by the United Nations, and the Joint Crediting Mechanism (JCM), which is being proposed for introduction by the Japanese Government, as well as to gathering knowledge required for those projects.

* The developed version of REDD, Reduced Emissions from Deforestation and forest Degradation. The concept "REDD+" includes, besides that of REDD, the positive emission reduction of GHGs through sustainable management and conservation of forest and enhancement of forest carbon stocks.

Participation in the Japan Public-Private Platform for REDD+

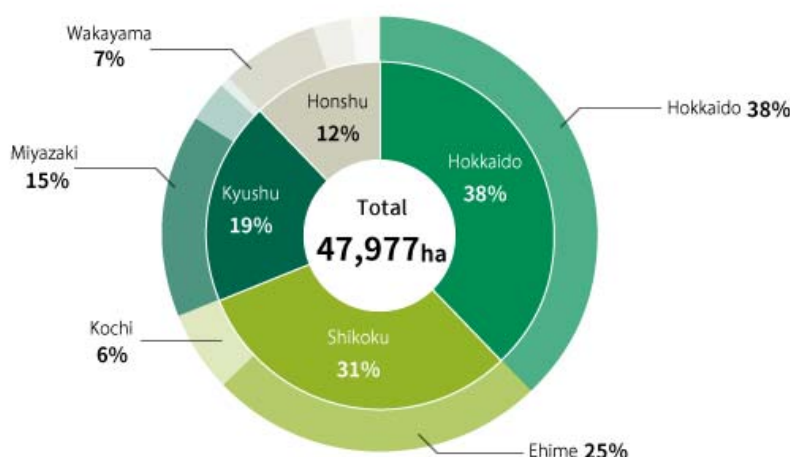
The Japan Public-Private Platform for REDD+ was established in November 2014 by the Japan International Cooperation Agency (JICA) and the Forestry and Forest Products Research Institute, an independent administrative corporation. Sumitomo Forestry joined the platform as a member of the Executive Committee, in a move to conserve forests in developing nations and to contribute to sustainable development such as mitigating climate change, preserving biodiversity and reducing poverty. The aim of the platform is to promote REDD+ activities, and moving forward, by expanding its circle of activities, it will contribute to global warming countermeasures through public-private collaboration.

Protecting and Utilizing Domestic Forest Resources

Basic Policy of Conserving Domestic Forest Resources

The devastation of timber plantations such as Japanese cedar and cypress farmed cedar and Japanese cypress trees throughout each region of Japan is a concern. The reasons for this devastation include the stagnation of timber value and worsening profitability as well as the inability for proper thinning or other management of the forests. The Government of Japan in order to avert exacerbation of the forest depredation by revitalizing the forestry industry, established a goal to raise Japan's timber self-efficiency to 50% by 2025.

Breakdown of Company-Owned Forests



Preserving and Increasing Forest Resources through Management of Company-Owned Forests

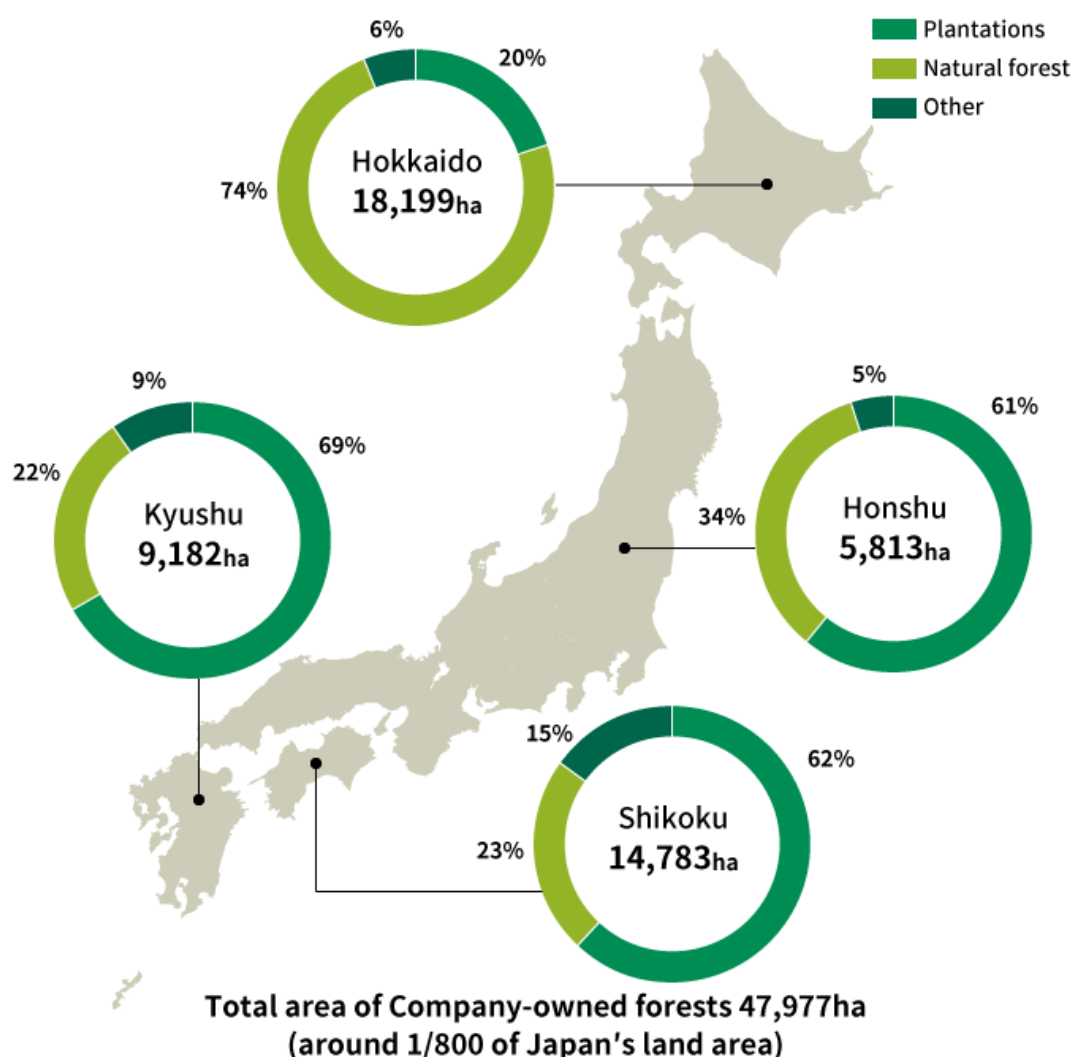
Sumitomo Forestry owns a total 47,977 hectares of forest in Japan (around 1/800 of the country's land area). Company-owned forests are categorized as either "commercial forests," where the production of timber is the priority, or "environmental forests," where conservation of the environment is the focus.

Sumitomo Forestry acquired a forestry certification from Japan's Sustainable Green Ecosystem Council (SGEC)^{*1} for all company-owned forests^{*2} in 2006 and third-party evaluations have confirmed that the forests are being properly managed, including with regard to measures to conserve biodiversity. New forest purchases after the acquisition of the forest certification have each been under evaluation for certification and our certification rate is 100%.

Forest operations include appropriate thinning, which helps to preserve and increase forest resources, while taking into consideration the surrounding environment including the ecosystem. Sumitomo Forestry also aims for highly productive management of its forests based on operational plans that follow the principle of performing the appropriate management for the appropriate tree species on the suited land.

- *1 Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven criteria that include the preservation of biodiversity and the conservation and maintenance of soil and water resources. Social awareness is growing due to recognition of the PEFC^{*3} forestry certification system, an international certification system, since June 2016.
- *2 The forests owned by Sumitomo Forestry exclude the lands leased to Kawanokita Development Co., Ltd., which is a Group company responsible for operating a golf course. Moreover, newly purchased forests are excluded from the forests purchased in fiscal 2017 because of expanded inspections for the next fiscal year.
- *3 Programme for the Endorsement of Forest Certification Schemes is an international NGO that mutually recognizes certification standards created in each country and region as criteria to share internationally. As of December 2017, forestry certification systems in 49 countries have joined PEFC of which 37 have been mutually recognized as forestry certification systems.

Distribution and area of company-owned forests (as of March 31, 2018)



Taking Hold of Potential in New Forests

Efforts in Fast-growing Trees

Sumitomo Forestry has begun efforts in fast-growing tree forests that are gaining more attention in recent years. Fast-growing trees are trees such as Japanese cedar, chinaberry, willow and white birch that grow quickly and allow harvests in a short cutting cycle compared to Japanese cedar or Japanese cypress.

The Hyuga Forestry Office is conducting a test harvest of Chinese fir in the Hitoyoshi company-owned forest in Kumamoto prefecture. This test monitors aspects that include the reduction in weeding and tolerance against elements like wild animals through growth surveys and other research to examine the potential as a new tree species for garden vegetation. We have been considering introduction into some of our businesses as of fiscal 2018.

In addition, Sumitomo forestry is also advancing the implementation of plans for test harvesting these fast-growing trees with the Forest and Landscape Research Center.

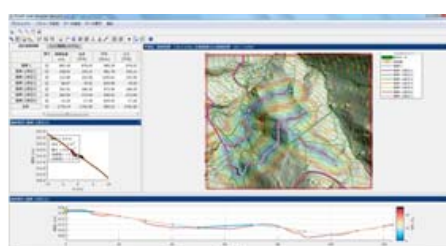


Ranging poles

Launch of “FRD” Forestry Roadway Design Support System

Forests in Japan often have insufficient roads or strip roads in place which prevent smooth management of forests and transport of the timber that is harvested. Currently, when constructing roads or strip roads in forests, lines are drawn by hand over a paper topographical map before visiting the site to see if that plan for the road network can be executed as is. This process of examination is usually done over and over again. The work to create these line drawn plans as well as check and verify the site rely heavily on individual intuition and experience as well as cost a vast amount of time and labor.

This software takes advantage of precise topographical data obtained from aerial laser and other measurements to design forestry road networks such as forest roads and strip roads. The main feature is a function for automatic design able to automatically create the line drawings by inputting the site of departure and destination in the operation screen. This feature creates low-cost line drawn plans based on parameters, including requirements such as longitudinal slope and the curvature radius, width, and operation costs specified in advance. In addition, the software packs more features than necessary for the job, such as allowing the design of safety lines that reflect areas which should be avoided due to potential collapse and other circumstances when creating a plan. The on-site exploration of the line drawn plans for roadways designed in the software offers efficient on-site verification.



Automatic Design Screen (Image)

Spearheading Forest Revitalization and Developing Assist Suits for the Forestry Industry

Sumitomo Forestry exhibited the TABITO-03 prototype at the International Robot Exhibition 2017 to demonstrate the first assist suit for the forestry industry able to reduce muscle of burden by 17%. This consortium is comprised of the Forest Research and Management Organization, ATOUN Inc. and the Nara Institute of Science and Technology. Development is moving forward with the aim of practical implementation by 2025.

The TABITO-03 currently under development has been able to reduce the muscle of burden for forestry workers up to 17%. This is the first time a reduction in the physical load has been broken down into data in the forestry industry. The load on the shoulders and feet of works can also be reduced by wearing this assist suit when carrying heavy loads such as a pack with seedlings or planting tools several dozen kilometers. Forestry workers make their way to worksites by climbing up sudden slopes on mountain routes that zig-zag through the landscape when working in steep mountain forests. Practical applications of the assist suit for the forestry industry would dramatically improve work efficiency in the shortest climbs and descents without worry of exhaustion.



Evaluation of the TABITO-03

Forest Management Overseas

Forest Management Overseas

The Sumitomo Forestry Group is expanding three approaches to conducting plantation forest operations; industrial tree plantation, environmental reforestation, and “social forestry”. The purpose of industrial tree plantation is to produce wood and increase the supply of plantation timber (raw material). By zoning its managed land appropriately, the Group aims to achieve both the conservation of valuable ecosystems and the development of local communities through plantation forest operations.

In addition, the Group also conducts environmental reforestation, aimed at planting trees for the environmental conservation. It aims to contribute to environmental conservation through the expansion of forested areas and the fulfillment of the ecosystem services function of forests, by actively planting trees on land where natural regeneration would otherwise be difficult. The Group has also been engaged in “social forestry” which shares the economic benefits of forest plantation with local communities while enlisting the cooperation of local residents.

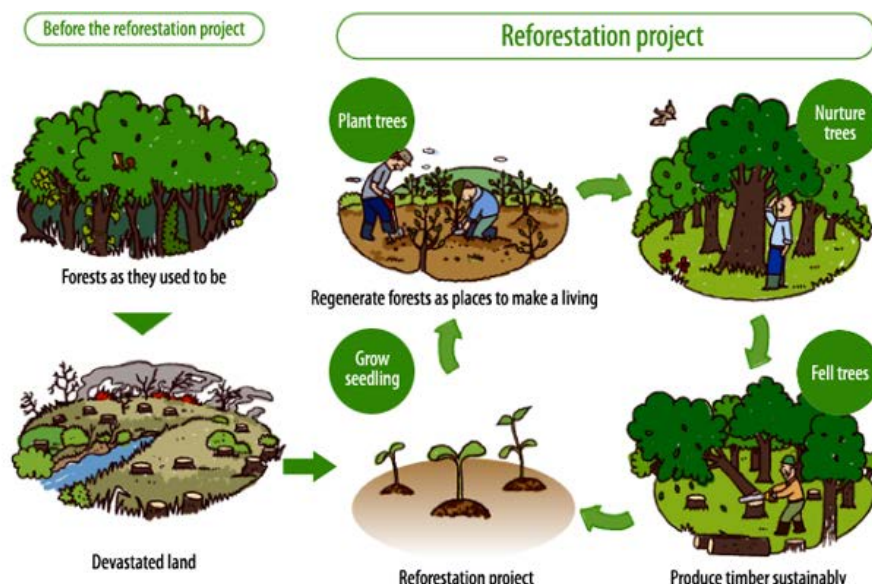
► [Overseas Plantation List](#)

Plantation Forest Operations in West Kalimantan, Indonesia (Industrial tree Plantation)

Since 2010, under the license from Indonesian Ministry of Environment and Forestry permitting utilization of timber from commercial forests*, Sumitomo Forestry has been committed to a large-scale forest plantation business conducted in cooperation with the ALAS Kusuma Group, a company involved in forestry management and plywood manufacturing in Indonesia. The project covers areas in which forest degradation has advanced due to commercial harvesting from the 1960s to the mid 1990s in addition to repeated illegal logging and slash-and-burn farming practices. In these types of lands, Sumitomo Forestry Group actively uses devastated forests where productivity is not expected as plantation forests while taking on the responsibility of preserving forests with high conservation value. In addition, we believe it is important to prevent further degradation of forests by providing an economic infrastructure to local communities through businesses.

The Group aims to plant trees with appropriate management for each piece of land with consideration to different environmental factors such as topography and soil conditions in its plantation forest operations. Furthermore, we conduct research and monitoring based on the latest knowledge from third parties to continually improve our operations. The planting, cultivation and harvesting work done by human hands largely contributes to local communities by creating jobs.

* Issued by the Indonesian government, this is a business license to engage in industrial tree plantation operations in Indonesia. The license is valid for 60 to 100 years.



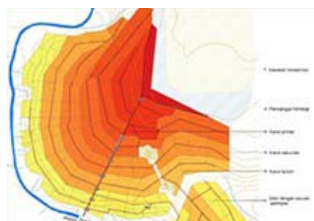
2012	<ul style="list-style-type: none"> Signed a contract with International Finance Corporation (IFC)—member of the World Bank Group for the provision of advisory services. In accordance with the concept of High Conservation Values Forests (HCVF) * that draws great attention in recent years, Sumitomo Forestry conducted assessments on its operational properties with IFC and investigated whether the property use plan is implemented as stated and adequate consideration is made for biodiversity and livelihood of local residents. The reports of the investigation results were audited by a third-party organization, and valuable comments made by stakeholders on the report will be adapted in the business plan.
2013	<ul style="list-style-type: none"> Held public hearings where stakeholders such as local residents, companies in the communities, academics, NGOs, and government officers were invited to share the results of the investigations. Obtained the PHPL certification, formally called Sertifikat Pengelolaan Hutan Produksi Lestari issued by Ministry of Forestry (Departemen Kehutanan) on sustainable forest management.
2015	<ul style="list-style-type: none"> Held public hearings with stakeholders prior to plantation forest harvest with the aim of deepening stakeholders' understanding about our businesses and consideration to environment and social issues that we promote. This venue also actively pursued cooperation from our stakeholders to prevent forest fires. Participants not only shared a lot of positive feedback but also gave us comments fruitful in the formulation of our business plans.
2016	<ul style="list-style-type: none"> Advanced efforts with the Indonesian Ministry of Environment and Forestry to build a model for sustainable plantation forest operations and peat management methods in peatlands through our businesses and research activities. The Commissioner of Peat Land Recovery visited the local grounds to observe the peat management technology. Gained high praise for groundwater level control technology and the newest initiatives founded in data as well as introduced both in an international venue for government officials as beneficial examples for Indonesia.
2017	<ul style="list-style-type: none"> Entered into a Memorandum of Understanding (MOU) with the Ministry of Environment and Forestry, Indonesian for a pilot project that aims to examine unique water level management technologies to sustainably manage peatlands and establish peatland management models in Indonesia. The term of this project is set for five years. The project is being conducted with the cooperation of the Ministry of the Environment and Forestry as well as the Peatland Restoration Agency. The peatland management technology from this project was introduced as an excellent example, leading-edge peat management at the November 2017 United Nations Climate Change Conference (COP23) held in Bonn, Germany.

* HCVF outlines methods to objectively extract each and every multifaceted values of forests beyond the value as absorbers of greenhouse gases, encompassing the value as habitats of rare, endangered animal species, the value as water sources, the value as providers of essential natural services such as prevention of soil erosion, and the land that has an intimate relationship with the lifestyle and culture of local communities.

Conservation of Peat Swamp Forests

Conventionally, reforestation in peatlands* pushed water out of the soil and dried the land by digging many drainage routes for planting. However, drying-out land results in the decomposition of organic matter in the peat soil and acts to heighten global warming due to the emission of greenhouse gases. Dried peat, once ignited, is very difficult to extinguish, creating the risk of large-scale forest fires. The soil needs to always be in a damp state to prevent fires, but this means maintaining a constant groundwater level throughout the year through proper water level management is extremely vital. Therefore, in drawing up a forestation plan, the Sumitomo Forestry conducts detailed measurements and surveys based on which the following areas are identified: (1) forests to be protected with riparian forest and high rarity value, (2) areas to set as buffer zones between protection zones and plantation zones, and finally (3) areas the final determination as plantation zones. In plantation zones, water routes that function as round log transport, water level control, and fire belts are constructed while allowing a constant water level in the peatlands to always be maintained without affecting the rivers by not directly connecting the water routes and the rivers. Maintaining a constant groundwater level not only prevents forest fires and minimizes the breakdown of peats but also limits the emission of greenhouse gases. These results have been announced at relevant government agencies, universities and other institutes and some aspects have even been adopted as new policy measures. In addition, we are also striving to popularize techniques with a low environmental impact by actively releasing technical overviews. The technology we have developed also has the potential to be utilized in reforestation of areas devastated by large-scale fires.

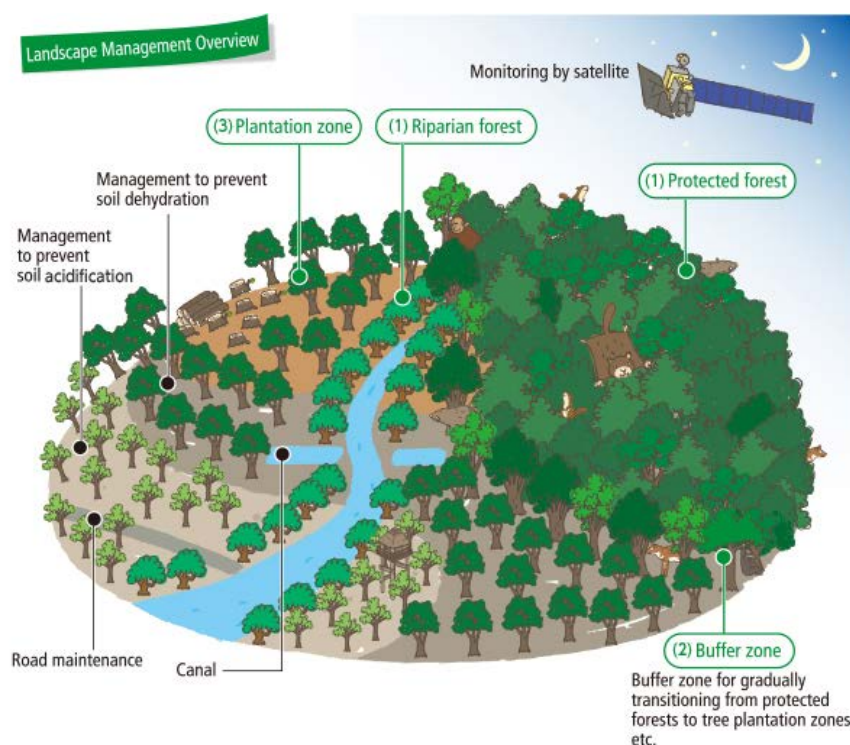
* Characteristics of the peat soil found in the peat swamps is known to emit enormous amounts of greenhouse gases, typically carbon dioxide and methane gas, if the soil was inappropriately exploited. Owing to joint researches by Japanese and Indonesian academic institutes, this project takes consideration to minimize greenhouse gas emissions that accrue as the peaty soil dissolves during exploitations.



Land for plantation forest operations designed based on detailed data



Monitoring the water level in peatlands



Forest Management Consulting Business Overseas

Corporate needs for forest management are diverse. In recent years, there has been a considerable number of companies conducting forest conservation activities and planting activities in developing countries, for the purpose of mitigating the impact on forests in overseas countries and regions where they are doing business, or for the purpose of fulfilling their corporate social responsibility.

Drawing on its knowledge of forest management in Japan and overseas, Sumitomo Forestry implements its consulting business for restoration of degraded forests in tropical regions, the rehabilitation of biodiversity, and for the protection and cultivation of forests that takes into account local communities.

The Company plans to enhance the value of existing projects in cooperation with local governments and relevant organizations, and to promote the proposal of new mechanisms such as REDD+ as well as ongoing projects that contribute to local economies through forest management and agricultural production.

Mitsui Sumitomo Insurance Co., Ltd.'s Project for the Rehabilitation and Regeneration of the Paliyan Wildlife Sanctuary (environmental reforestation / social forestry)

Mitsui Sumitomo Insurance Co., Ltd. has been involved in efforts for restoring the devastated forests in the Paliyan Wildlife Sanctuary (Gunung Kidul Regency in the Special Region of Yogyakarta) in Indonesia since 2005. Sumitomo Forestry has provided associated consulting services.

During the first phase of activities to March 2011, around 300,000 trees were planted on 350 hectares of land. As second phase of activities since April 2011, with a goal of creating a framework for local people to voluntarily protect their abundant forest areas, Sumitomo Forestry has been providing support for an agricultural guidance program aimed at improving the livelihoods of local residents, the establishment of an inclusive organization to examine ways of managing protected forests, and an environmental education program in cooperation with local schools. As third phase of activities since April 2016, we have been supporting additional planting in areas with few trees in protected forests as well as social forestry through local communities around protected forests.

As part of this project, the Company has also opened the doors to its plantation forests, seminar house and other related facilities in a positive effort to make information on its experiences and know-how on forest restoration available to the public. These have been well attended by local elementary and middle school students, by Indonesian and foreign university students and experts in such fields as forestry, the environment and education, as well as by many government officials.



Monitoring Social Reforestation

Technical support (citizen participation type reforestation) consulting services related to Indonesian Forestry Conservation Plans through environment programs for free capital assistance (environmental reforestation / social forestry)

The Japan International Cooperation System is working in citizen participation type reforestation in Manupeu Tanah Daru National Park in Indonesia (East Nusa Tenggara), Bromo Tengger Semeru National Park (East Java) and Ujung Kulon National Park (West Java) over five years starting in 2015. Sumitomo Forestry has been involved as a consultant in these activities. Reforestation was conducted in 2015 and fiscal 2016. In fiscal 2017, Sumitomo Forestry implemented fire prevention measures through maintenance such as cutting grass, patrols, and environmental education for citizens. The purpose of these operations is to teach forest management to the citizens for when they take over the forests via planting activities done together with the local citizens in each region.



Seedlings Planted in Bromo
Tengger Semeru National Park

► [Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas](#)

Utilization of Overseas Plantation

Basic Policy of Overseas Plantation Utilization

Properly managed forests, which are planted regularly and logged based on annual growth provide sustainable timber and hold promise in mitigating our dependence on natural forests.

At overseas plantations where growth of woods are faster than in Japan, the Sumitomo Forestry Group operates the plantation business well-thought-out for local communities and biodiversity and proactively procures products made with woods harvested from the plantations, and thereby develops sustainable supply chains.

Overseas Plantation Data (Unit: ha)

Country	Name of Plantation	Managed Area	Total Plantation Area for Social Forestry	Planted Area	Logged Area
Indonesia	PT. Mayangkara Tanaman Industri (MTI)	104,664	0	2,628	2,409
	PT. Wana Subur Lestari	40,750	0	3,755	3,336
	PT. Kutai Timber Indonesia (KTI)	4,889	6,179	1,276	0
	Koperasi Serba Usaha Alas Mandiri (KAM KTI)	0	1,005	0	0
	Koperasi Bromo Mandiri KTI (KBM KTI)	0	207	0	0
	PT. Rimba Partikel Indonesia (RPI) ^{*1}	0	2,374	0	0
	Other ^{*2}	3,633	332	528	0
	Subtotal	153,936	10,097	8,187	5,745
Papua New Guinean	Open Bay Timber Ltd. (OBT New Guinea)	31,260	0	475	243
New Zealand	Nelson Pine Industries Ltd. (NPIL)	5,134	0	66	88
	Tasman Pine Forests Ltd. (TPF) ^{*3}	30,966	0	623	758
	Subtotal	36,200	0	689	846
Total		221,396	10,097	9,351	6,834

※1 The number of seedlings distributed at RPT is estimated to convert as land area. Vegetation determined to have withered is included in the harvest

※2 Others includes data of environmental reforestation for social contribution and consulting business for other companies

※3 TPF completed the acquisition of the plantation area in June 2016

Distribution of Free Seedlings and Buy Back Guarantee of Logs

Indonesian Group companies KTI and RPI distribute free tree seedlings to local communities guaranteeing that the companies will buy round logs as raw materials at the current market value once the seedlings grow into harvestable woods. In November 2015, KTI's aforementioned operations were recognized by the Indonesia Ministry of Environment and Forestry and awarded the Minister's Prize for contributing to local communities by generating stable income while protecting communal societies as well as environments.



Local KTI Staff Celebrate the Minister's Prize

Number of Seedling Stocks Given to Indonesia

Company	FY2017 Results
KTI	750,000 trees
RPI	240,000 trees

Promoting Certification of Forests Together With Local Communities

KTI organized KSU ALAS MANDIRI KTI (KAM KTI)*, which is a community plantation cooperative association. In 2008, KTI obtained the first FSC™-FM certificate for the 152-hectare plantation and has expanded its certification to 1,005 hectares in 2015. Koperasi Bromo Mandiri-KTI (KBM KTI)*, which is a second reforestation cooperative with the same certification, acquired a certificate for 206 hectares in January 2017 and began extracting raw wood. The area of certified forest has reached a total of 1,211 hectares. These certified forests will strengthen the manufacture and sale of products with high environmental value based on a growing supply of Falcata (Albizia falcataria) materials.

* KAM KTI: FSC-C023796, KBM KTI: FSC-C133562

Sustainable Plantation Business by Leveraging Forestry Certification System

Of approximately 30,000-hectare plantation owned and managed by a Papua New Guinean company, OBT*, about two-third, equivalent to 20,000 hectares, is certified with FSC™. Under the goal to plant on the 500-hectare land a year, OBT practices sustainable forest management that lays basis for communities and environment to function in harmony. The area planted in fiscal 2017 was 475 hectares.

In addition, Sumitomo Forestry Group is acquiring FSC™-FM certificates for all of its forest areas, including the roughly 30,000 hectares that expands the plantation business of TPF* (Tasman Pine Forest); New Zealand and the 5,000 hectares of forest owned by NPIL. TPF practices sustainable forest management that lays basis for communities and environment to function in harmony by planting roughly 900 hectares of forest each year.

* OBT: FSC C103694, TPF: FSC-C132002

Occupational Health and Safety in the Forestry Business

Forestry Business Initiatives

In Japan, the Sumitomo Forestry Group manages 47,977 hectares of Company-owned forests. Contractors conduct planting, weeding, improvement cutting, thinning and clear cutting operations. For the purpose of preventing occupational injury to these contractors, the Group conducts safety patrols and holds Workplace Safety Conferences at each forestry office once every half year. In fiscal 2017, there was one occupational injury (Niihama) requiring payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act in Sumitomo Forestry-owned forests. As a result, with the contractors involved, response measures to prevent recurrence were discussed and agreed. Additionally, warnings were issued to other contractors through the Workplace Safety Conferences.



A safety patrol

Number of Occupational Injuries Involving Contractors at Forestry Work Sites in Company-Owned Forests

FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
0	2	1	3	1

Lectures Given by External Experts

The Sumitomo Forestry Group in Japan has enhanced educational activities at its Workplace Safety Conferences, including occupational safety instructions using examples of common forestry accidents, as well as environmental education, lectures given by experts on such topics as emergency first aid, and on-site safety guidance. Furthermore, so as to prevent lack of concentration when performing dangerous work by becoming accustomed to the work, the Group conducts safety education repeatedly.

At the Workplace Safety Conferences held at various forestry offices in fiscal 2017, experts have been invited from the Forestry and Timber Manufacturing Safety & Health Association to hold lectures on accident prevention measures based on analysis of causes of recent forestry occupational injuries, and on-site work safety guidance was conducted.



On-site guidance by experts
(Hyuga Forestry Office)

Energy Business

Value Chain of the Energy Business



Procurement

The Sumitomo Forestry Group aims to further use of unused wood materials left after harvesting as fuel for wood biomass power generation plants to promote renewable energy and enhance forest value.

The volume of unused wood materials from domestic forests in fiscal 2017 was 286,000 tons. In the future, we aim to build an efficient and safe logging system for wood leftover from logging.

Relevant Social Issues

Sumitomo Forestry Group drives new demand for timber and engages in material issues in local industry such as reforestation due to the growth in demand by promoting use of unused wood materials in the procurement stage of the energy business.

Report on Relevant CSR Initiatives

► [Procurement Initiatives](#)





Production

The energy business of the Sumitomo Forestry Group strives to recycle wood waste as wood resources by making chips from waste wood such as offcuts produced in the logging process for timber, wood waste produced on construction sites and unused forest materials from plantations. Through this chip business, recycling wood resources are supplied as fuel for power-generating boilers and other equipment.

Relevant Social Issues

The Sumitomo Forestry Group strives to develop and standardize renewable green energy while expanding the applications for wood and increasing its asset value.

Report on Relevant CSR Initiatives

► [Procurement Initiatives](#)



Power Generation/ Wholesales

The Sumitomo Forestry Group is promoting renewable energy generation and aims to construct power generation system with a scale of 200 MW in the future.

The wood biomass power generation business as the core of these efforts is expanding our energy business by leveraging the properties and conditions of each area in four regions. (As of July 2018)

Relevant Social Issues

The theme of social issues related to initiatives at the power generation and wholesale stage is an insufficient supply of sustainable energy services. The trend toward expansion of renewable energy is not only occurring in Japan but worldwide. However, many countries are still in the middle of trials for renewable energy.

Our Group strives to expand and standardize the renewable energy business.

Report on Relevant CSR Initiatives

► [Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business](#)

Procurement Initiatives

Promoting the utilization of Unused Wood Resource

Unused wood resource is leftover timber from thinning and logging or wood residue that are unused due to curves and small size. Wood biomass power generation plants are operating in each area and the demand for wood biomass is growing following the adoption of the FIT law (Feed-in Tariff for Renewable Energy). By using unused wood resources, we can also expect an effective increase in the value of forests while promoting renewable energy. Sumitomo Forestry Wood Products has set targets for fiscal 2020 with the aim of building an efficient and safe logging system for wood leftover from logging.



New Wood Pellet Plant Established for Effective Use of Unused Forest Material

Forests are approaching the cutting cycle throughout Japan while the challenge is the cycle of these forests from harvest through use and reforestation. Encouraging further use of forests from use of unused forest materials to other wood resources helps realize a sustainable society.

The Sumitomo Forestry Group leverages the wood procurement network throughout the entire Group. This led to a joint venture with the Electric Power Development Company to establish a manufacturing and sales company for wood pellets^{*1} in July 2018. The new company aims for use of unused forest materials from forests in Japan^{*2} as fuel for power generation in addition to examining the largest wood pellet supply system in Japan for the purpose of commercialization by 2021. Proper management of forests and a stable supply of domestic timber secure sources for sustainable wood resources. Furthermore, the Electric Power Development Company reduces carbon dioxide emission by reusing the wood biomass fuel as coal and mixed fuel combustion.

Forests have a variety of public welfare benefits from the production of timber to the cultivation of groundwater, the prevention of sediment run-off and absorption of carbon dioxide. Through these efforts, Sumitomo Forestry and Electric Power Development Company promote domestic reforestation and regional revitalization as well as sustain and conserve the social welfare functions of forests by using unused forest material as renewable energy.

*1 Wood pellets: Wood ground, dried and compressed into a pellet form

*2 Unused forest materials: Leftover timber from thinning and logging or wood residue unused due to curves or a small size.

Promoting Effective Wood Procurement Through the Adoption of High-performance Silviculture Machines

Effectively Extracting Unused Forest Materials for Mombetsu Biomass Power Plant

Mombetsu Forestry Office introduced Scandinavian harvesters and forwarders able to turn in small circles in 2015 to begin efforts to deliver log harvest/thinnings (wood leftover from logging) as fuel materials to the Plant.

Moreover, by selecting forestry equipment with high-level driving performance in narrow forest areas, operators are able to execute all harvesting and transport operations while on the machine. We consider this is an initiative that improves safety and will play a role even in eliminating occupational injuries.



Scandinavian harvester^{*1}



Scandinavian forwarder^{*2}

^{*1} Harvester: Self-propelled high-performance forestry machine that brings together each operation to cut, de-limb, and vertically cross-cut^{*3} timber, which had traditionally been done with a chainsaw

^{*2} Forwarder: Self-propelled high-performance forestry machine that collects and feeds vertically cross-cut timber on a cargo bed

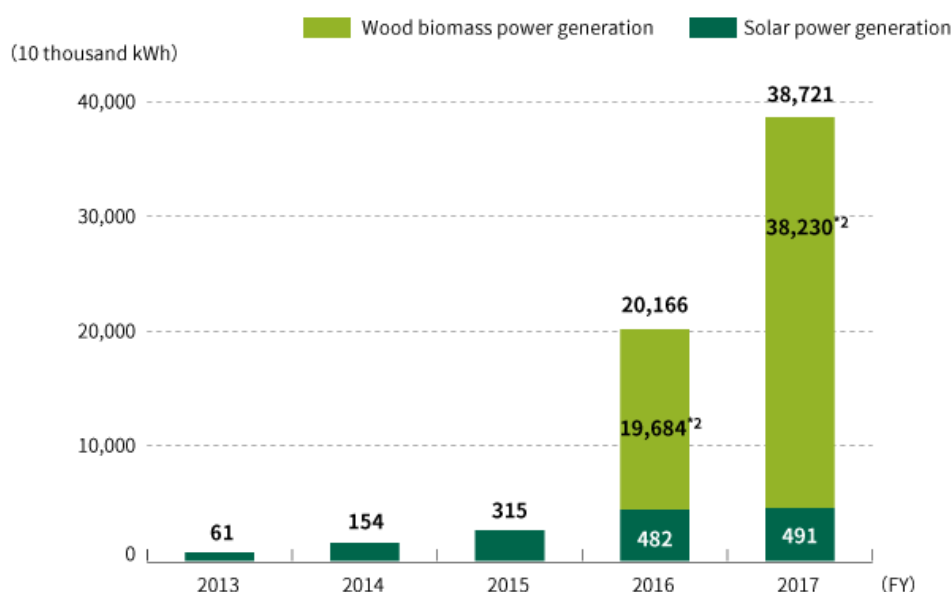
^{*3} Cross-cut: To cut crude timber to a standard length

Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business

Transitioning to Renewable Power Generation and Basic Policy

The Sumitomo Forestry Group is advancing renewable power generation by establishing solar power generation systems at model homes as a prerequisite for power use at companies in addition to its wood biomass power generation and solar power generation businesses. In fiscal 2017, the combined output of power generation that resulted from all of these efforts was 387,210,000 kWh. The objective is to build a power generation system with a capacity of 200 MW primarily generating power from wood biomass.

Shift in Renewable Power Generation ^{*1}



^{*1} Results are only for solar power generation in fiscal 2015

^{*2} The amount of electricity generated from wood biomass power generation covers only consolidated subsidiaries and includes the use of coal as an auxiliary fuel to ensure smooth operation and maintenance

Wood Biomass Power Generation Business

The Sumitomo Forestry Group operates wood biomass power generation facilities that are fueled by recycled chips primarily using leftover from construction as raw materials, wood not suitable as a building material, and thinning leftover in forests.

The CO₂ emitted by burning wood does not contribute to CO₂ in the atmosphere as part of the life cycle of the timber because the CO₂ in the atmosphere is absorbed through photosynthesis as the trees grow (concept of carbon neutrality). Therefore, the Group has been engaged in wood biomass power generation as a type of business that contributes greatly to the advancement of forestry, such as the effective use of wood, reductions in CO₂ emissions and the maintenance of local forest environments.

In February 2011, the Sumitomo Forestry Group entered this sector with the operation of the urban-oriented Kawasaki Biomass Power Generation Plant (generation capacity: 33 MW), which primarily uses scrap construction wood as fuel. Thereafter, full operations began at the Mombetsu Biomass Power Plant in December 2016 with a generation capacity of 50 MW, the Tomakomai Biomass Power Generation Plant in April 2017 with a generation capacity of 6.2 MW and the Hachinohe Biomass Power Generation Plant in April 2018 with a generation capacity of 12.4 MW. All of these plants generate power primarily from unused forest materials from Japan. Once the Kanda Biomass Power Generation Plant begins full operation in 2021, the Group will have a total power generation capacity of roughly 177 MW, which will supply electricity to approximately 387,000 households.

Drawing on its past experience in the wood biomass power generation business, the Group will continue to expand renewable energy business operations suited to local conditions and other requirements.



Mombetsu Biomass Power Plant



Hachinohe Biomass Power
Generation Plant

The Group's Wood Biomass Power Generation Business

Business	Location	Power generation capacity	Start of operations	Main features
Kawasaki Biomass Power Generation Business (Joint investment with Sumitomo Joint Electric Power Co., Ltd. and Fuluhashi EPO Corporation)	Kanagawa Prefecture Kawasaki City	33MW	February 2011	<ul style="list-style-type: none"> • Largest biomass power generation facility in Japan that primarily burns scrap wood as fuel • Utilizes recycled chips produced by using construction debris and waste pallets from Tokyo and surrounding suburbs, as well as thinnings and pruned branches • Equipped with environmental mechanisms, such as flue gas desulfurization equipment, an exhaust gas denitrizer and a bag filter, the urban-oriented biomass power generation facility clears Kawasaki City's strict environmental standards
Mombetsu Biomass Power Generation Business (Joint investment with Sumitomo Joint Electric Power Co., Ltd.)	Hokkaido Mombetsu City	50MW	December 2016	<ul style="list-style-type: none"> • Thinnings, wood left over from logging and unused wooden materials are primarily procured from within a 75km radius of the power plant and turned into chips at an adjacent plant before being used as fuel • Palm kernel shell, plus some coal is also partially used as an auxiliary fuel
Tomakomai Biomass Power Generation Business (Joint investment with Mitsui & Co., Ltd., Iwakura Corporation and Hokkaido Gas Co., Ltd.)	Hokkaido Tomakomai City	6.2MW	April 2017	<ul style="list-style-type: none"> • All of the fuels are from unused forest material in Hokkaido.
Hachinohe Biomass Power Generation Business (Joint investment with Sumitomo Osaka Cement Co., Ltd. and East Japan Railway Company)	Aomori Prefecture Hachinohe City	12.4MW	April 2018	<ul style="list-style-type: none"> • Unused forest materials from forestlands in the Sanpachi-Kamikita-Shimokita region of Aomori Prefecture, timber offcuts, and railway forest thinnings from the nearby railway lines will be used as the main source of fuel • Some palm kernel shell will be used
Kanda Biomass Power Generation Business Joint capital venture between Renova, Inc., Kyuden Mirai Energy and Mihara Group K.K.	Fukuoka Prefecture Miyako District	75MW	June, 2021	<ul style="list-style-type: none"> • Fuel uses thinnings and unused forest material from northern Kyushu in addition to American pellets and Indonesian palm kernel shell

Japan Bio Energy Co., Ltd. recognized as Superior Industrial Waste Disposal Operator

Japan Bioenergy Co., Ltd., which manufactures and sells wood biomass chips, was recognized as a superior industrial waste disposal operator in May 2016 by Kawasaki City.

The system to recognize businesses as superior industrial waste disposal operators evaluates and certifies excellent industrial waste disposal operators through the prefecture or city. In order to receive this recognition, the business must satisfy all of the standards that include legal compliance, business transparency, efforts in environmental friendliness, and a healthy financial strength. The validity of certification in industrial waste disposal is extended from five to seven years by receiving recognition through this system.

Solar Power Generation Business

Sumitomo Forestry owns a solar power generation facility that generates 3,429 kW in Kashima City, Ibaraki Prefecture.

The Company gives consideration to mitigating the environmental impact of the power generation facility and expanding applications for the use of timber by installing some wooden mounting frames that are mainly made of domestically produced Japanese cedar.



Solar panels and environmentally friendly wooden frames

Business Responding to an Aging Society

Contributing an Aging Society Through Our Business

The Sumitomo Forestry Group believes the promotion of businesses that are suited to and support social needs such as the provision of living and lifestyle services based on an aging society is an important social duty for the Group. Therefore, we are promoting measures from new installations and operations at long-term care facilities to a day service business.

Opening and operating nursing care facilities that use ICT and the latest research results

Improving the quality of nursing care services that are provided, securing nursing care staff to entrust these services and improving that work environment are social challenges that we will face after 2025 when the baby-boomers all reach old age. The rapid increase of elderly with dementia is also a concern.

Fill Care Co., Ltd. (currently: Sumirin Fill Care Co., Ltd.) that is expanding the nursing care business in metropolitan areas and the Hanshin district has adopted the Life Rhythm Navi Plus Doctor resident monitoring system that uses ICT in private-pay elderly care facilities which opened in fiscal 2016. Conventionally, the state of residents was determined by information sent from sensors independently. However, this system can grasp the detailed situation of residents in living spaces in real time by analyzing information sent from multiple sensors such as a bed sensor, motion detector and temperature sensor.

This information can be used for health management of residents and preventing falls as well as central management of emergent call from residents by combining with nurse calls. This information can also be shared with the families of residents through the use of smartphones. The technology is expected to reduce the load on staff too by sharing information between staff members to strengthen links.

This system was adopted at the Gran Forest Tokiwadai private-pay elderly care facility that opened in November 2016, Gran Forest Gakugei Daigaku that opened in February 2017, Gran Forest Saginomiya that opened in May 2017, Gran Forest Tetsugakudo that opened in December 2017, Gran Forest Kobe Mikage that opened in February 2018, and Gran Forest Nerima Takamatsu that opened in May 2018.



Gran Forest Gakugei Daigaku



Grand Forest Saginomiya

In fiscal 2017, Sumitomo Forestry Tsukuba Research Institute introduced a new trial to utilize research results. First, a “pleasant sleep system” improves the quality of sleep for residents through the control of a combination of a wooden interior and indirect lighting to provide a bedroom environment with a relaxing effect. A pleasantly deep sleep at night is expected to elevate disturbances in the rhythm of life and offer healthy activities during the day. Gran Forest Gakugei Daigaku also built the Hanaemi Garden with rich seasonal changes that have been proven to

improve the activity of daily life (ADL) and be effective in preventing cognitive impairments in addition to working in a Tree and Flower Recreational Program that uses the flowers in the garden which offers a place for residents to interact with the world around them.

Furthermore, safe and friendly flooring” aims to protect residents from impacts if they fall by employing a special floor structure together with impact absorbing material.

Moreover, hoping to visualize mobility functions, Gran Forest Narima Takamatsu implemented the Q’z TAG™walk system that measures and evaluates people walking through acceleration sensors and unique algorithms. This system is aiding in maintaining and improving the walking of residents. By placing a light 15 gram sensor on the waste and walking 10 meters, the system which was introduced provides advice on improvement points and recommended exercise programs by visualizing movement, balance, speed and rhythm via a radar chart to evaluate walking.

The system is expected to sustain walking skills and daily lifestyle activities as well as better the healthy life expectancy.

Housing Taking Advantage of Quality Wood Benefits

Wood has many beneficial effects. For example, the fragrance of wood relieves stress, provides a sedative effect, offers relaxation, and it is expected to help prevent dementia as well as reduce the symptoms. The warm feel to the touch also helps prevent fatigue even while walking on the wood floor. Sumitomo Forestry Group is building facilities that bring out these excellent benefits of wood to their fullest.



Entrance Filled with the Warmth
of Wood

Social Report

Human Rights Initiatives

Health and Safety

Employment and Human Resources Development

Social Contribution

Acquisition of Quality-Related Certification

Social Data

Human Rights Initiatives

Recognizing the Imperatives

The Sumitomo Forestry Group respects the human rights of employees as well as all of its other stakeholders equally as a corporate Group expanding its businesses globally. We believe reducing human rights risks in our business activities is a material theme for our sustainable growth and development.

The Sumitomo Forestry Group Code of Conduct was formulated based on this recognition of our respect for human rights. We also strive to raise awareness about human rights through training and other educational measures.

We have also translated the Sumitomo Forestry Group Code of Conduct into English and other languages to further expand these principles to affiliated companies outside of Japan. In addition, we keep all of our employees well informed and disclose this information to many of our stakeholders by including this code of conduct on our website.

Approach and Policies to Human Rights

The Sumitomo Forestry Group complies with international human rights bills (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labour Organization (ILO) Core Labour Standards, and the United Nations Guiding Principles on Business and Human Rights. Based on these international standards, the Sumitomo Forestry Group has put forth a commitment to human rights respect and a healthy workplace in its Sumitomo Forestry Group Code of Conduct. In addition, the Code calls for the respect of the human rights of all individuals, including women, children, indigenous people, minorities and other socially vulnerable people and stipulates that there will be no discrimination whatsoever on the basis of race, ethnicity, nationality, gender, religion, ideology, disability, sexual orientation, gender identity or other. The Code also does not permit forced labor or child labor in any form.

Furthermore, the Sumitomo Forestry Group will permeate these policies and conduct the proper assessments to ensure this same level of respect even by business partners. We will also execute measures against human rights risks and conduct human rights due diligence in an effort to fully grasp and mitigate any risk to human rights.

- ▶ [Corporate Philosophy](#)
- ▶ [Action Guidelines](#)
- ▶ [Sumitomo Forestry Group Code of Conduct](#)

Support for the Human Rights Initiative

The Sumitomo Forestry Group has been a signatory to the United Nations (UN) Global Compact since December 2008, and has posted this on the Company's website in both Japanese and English. For the purpose of more widely disseminating the Global Compact's ten principles in four areas (human rights, labor, the environment and anti-corruption), Sumitomo Forestry also prepared a poster in English, Chinese and Indonesian, and has distributed it for display to all Group companies overseas.

Sumitomo Forestry addresses human rights issues by participating in domestic and international initiatives concerning human rights such as the Human Rights Due Diligence (HRDD) subcommittee meetings of UN Global Compact Network Japan.

► [Participation in the United Nations Global Compact](#)



A poster promoting the UN Global Compact

Implementation of Human Rights Risk Measures and Due Diligence

Through human rights due diligence, Sumitomo Forestry Group identifies factors that may have a negative impact on human rights and works to prevent or reduce them.

Since FY2012, a CSR fact-finding survey is conducted every year at each of the Group companies regarding their CSR initiatives to review and improve the human rights situation. In FY2017, based on the survey for the major 52 Japanese and overseas Group companies (26 Japanese companies, 26 overseas companies), 47 subsidiaries implement human rights trainings (including 20 overseas subsidiaries), 42 have functions to handle grievance (including 15 overseas) and 32 implement mitigation plans (including 19 overseas). For our suppliers, we conduct surveys and face-to-face interviews to prevent human right infringements.



Workshop on due diligence in human rights

Based on this survey, in fiscal 2017, we did not find any human rights violations.

In addition, we regularly invite human rights experts to serve as instructors and give workshops on human rights due diligence, primarily for employees of management divisions and departments with high human rights risks, namely overseas plantation forest operations, manufacturing operations and timber procurement operations. The workshops examine the stakeholders in the supply chain of each operation and identify those regions and organizations at high risk in terms of human rights. Participants of the workshops then analyze risks with a high possibility of occurrence or with a potentially significant negative impact and discuss various countermeasures.

As a measure against identified risks in 2018, the Sumitomo Forestry Group has formulated a grievance mechanism for plantation forest operations in Indonesia.

We will continue to reinforce our efforts globally regarding human rights risks.

► [Grievance desk](#)

Human Rights Training

The Sumitomo Forestry Group offers classes about human rights in its new employee training in Japan. Sumitomo Forestry also incorporates classes about human rights in its training for new general managers. We also require all Group employees with access to the intranet to take the “Work and Human Rights” module in e-learning every year with the intention to promote respect for human rights and a workplace where no discrimination is tolerated.

In fiscal 2017, 10,899 employees of which 5,606 and 5,293 belong to the parent company and Group companies, respectively. The effort in raising human right awareness via e-learning will be continued into the future. We also plan to conduct training related to the Sumitomo Forestry Group Code of Conduct formulated in July 2017.

Prevention of Harassment

Sumitomo Forestry makes its policy on sexual harassment, workplace bullying and maternity harassment clear, having included in its Employment Regulations, under one category of rules to be observed by employees (discipline on the job), a provision prohibiting such harassment as well as disciplinary standards. The Sumitomo Forestry Group Code of Conduct also prohibits all forms of harassment and this is communicated via the internal website and pamphlets. In addition, awareness within the Company is fostered by providing information with case examples and implementing regular awareness promotion notices, through human rights and ethics training and other activities.

Furthermore, a framework to properly handle inquiries and complaints was put in place in fiscal 2000 with the establishment of the Harassment Consultation Hotline within the Personnel Department and Compliance Counter both inside and outside of the Company. The privacy of all those involved is protected and every effort is made to ensure that neither the complainant nor those cooperating are treated detrimentally.

► [Sumitomo Forestry Group Code of Conduct](#)

Respect for Human Rights at Overseas Plantations

For timber plantations in Indonesia’s West Kalimantan Barat, the Company signed an advisory agreement with International Finance Corporation (IFC), the World Bank’s group institute in 2012, and conducted an assessment adhering to the concept of “High Conservation Value Forests (HCVF)” mainly on whether the commercial land use plan has been implemented appropriately and whether adequate consideration for biodiversity and local communities are made.

As a way to communicate the assessment results from 2013, the Sumitomo Forestry Group invites stakeholders (local residents, neighbor corporations, academics, NGOs, and government workers) as part of its plantation forest operations with considerations toward human rights to deepen understanding about environmental considerations such as sharing information about the business before harvesting of plantations in 2015.

In 2018, the Group formulated a grievance mechanism with the help of the IFC.

Respect for Human Rights Through CSR Procurement

Sumitomo Forestry Group is conducting fair and responsible procurement under the Sumitomo Group Procurement Policy which obligates suppliers to protect human rights and basic rights of labor as well as preventing corruption. For procurement of imported materials, specifically, the Group ensures whether rights of workers and local communities in the areas where raw materials of the supplies are procured from, have not been violated; if there is a risk, then whether adequate consideration for these rights during logging is inspected through surveys and on-site interviews to the suppliers.

► [Responsible Timber Procurement](#)

Health and Safety

Recognizing the Imperatives

The Sumitomo Forestry Group sees sustaining a safe and healthy work environment for employees as a fundamental business practice in all operations.

The Group periodically conducts education and training in anticipation of disasters and accidents while working to motivate employees in their work. We also strive in other initiatives such as measures to realize a work-life balance with the purpose of creating a workplace where each and every employee can enjoy a full life.

Relevant Targets and Performance

The Sumitomo Forestry Group sets 2020 targets in overtime working hours and actively promotes efforts to achieve those goals.

In addition, we are always furthering efforts to improve while monitoring the relevant data for measure to prevent occupational injuries.



▶ About symbol for Independent assurance

Activity Report

- ▶ Occupational Health and Safety Management System
- ▶ Work-life Balance

Occupational Health and Safety Management System

Basic Policy on Occupational Health and Safety

Sumitomo Forestry has established Rules for OHS Management with an aim of fostering a workplace environment in which employees can perform their jobs in a safe and healthy manner. The rules prescribe that a general OHS manager is to be stationed at each place of business regardless of how big it is, and every year, the Company checks on the status of the officer and OHS committee meetings.

With the aim of preventing accidents at construction sites and maintaining the health of workers, each division, such as the Environment and Resources Division and the Housing and Construction Division, has also established separate OHS management policies and manuals in view of the distinctive characteristics of their respective businesses.

Occupational Health and Safety Management System

Personnel department responsible for OHS across the Group, and heads of personnel department provides OHS instructions and support to establish OHS system on each Company's level. The OHS Committee where general manager serves as chairman meets monthly has been established, and matters discussed are posted on the intranet for the purpose of information sharing and enlightenment.

Targets and Performance Concerning Occupational Injuries

In Mid-Term CSR Management Plan, Sumitomo Forestry sets the critical target by FY2020 as “zero occupational injury and lost work time.” The Sumitomo Forestry Group aims to achieve its critical targets and defines priority CSR measures in each division. The performance toward achieving these targets is reviewed each fiscal year. Its progress and results are explained below.

Occupational Injuries (Non-Consolidated)*¹

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Number of occupational injuries (incidents)* ²	6	1	0	3	0
Lost-time injury frequency rate* ³	0.28	0.19	0.19	0.30	0.10
Work-related illness frequency rate	0	0	0	0	0

*1 No occupational injuries resulting in death occurred during the reporting years shown.

*2 The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

*3 Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000

▶  [About symbol for Independent assurance](#)

In addition to developing occupational health and safety promotion activities in accordance with the laws and regulations in Japan and overseas where the Group is active, each Sumitomo Forestry Group company also promotes acquisition of certifications such as OHSAS* Certification.

* Occupational Health and Safety Assessment Series (OHSAS): An international standard developed for the purpose of reducing occupational health and safety risks and clarifying where responsibilities lie.

Acquisition Status of Occupational Health and Safety Certifications at Each Group Company

Company	Country	Type of certification	Date acquired
Sumitomo Forestry Crest Co., Ltd.	Japan	OHSAS18001	February 2013
PT. Rimba Partikel Indonesia (RPI)	Indonesia	OHSAS18001	March 2013
PT. Kutai Timber Indonesia (KTI)	Indonesia	OHSAS18001	October 2013
Nelson Pine Industries Ltd. (NPIL)	New Zealand	AS/NZS4801	December 2012
		ACC WSMP Tertiary	November 2009
Henley Arch*	Australia	AS/NZS4801 : 2001	May 2018

* Affiliated two companies of the Henley Group have also acquired the same certification.

Work-life Balance

Approach to Employee Work Styles

Sumitomo Forestry recognizes employees' diverse work styles and strives to create a workplace where they can be motivated in their jobs, and still enjoy a fulfilling private life. Reflecting these aims, the Company has worked on such initiatives as providing childcare and family care programs, promoting greater participation by women, and reducing overtime.

In fiscal 2013, the Work style Diversification Department was established within the Personnel Department, bringing together support desk functions relating to work styles and careers, including childcare and family care, career support, mental health and post-retirement re-employment. In developing a counseling system which is easier for employees to access, the Company supports diverse work styles.

A flextime system and a work interval system were adopted with the purpose of reducing long hours and improving productivity in fiscal 2017. The transition is not only in working hours but also from a labor system to a true count system in addition to adopting measures such as a per hour productivity assessment.

These programs aim to improve employee satisfaction as well as productivity by preventing harm to health from accumulated fatigue due to long working hours in addition to heightening awareness about cost versus time to realize a work-life balance.

Supporting the Work styles of Employees Currently Raising Children

Sumitomo Forestry has put in place a number of support programs that allow employees to work while also raising children.

For example, supervisors conduct interviews with employees who plan to take childcare leave together with a person in charge of the Work style Diversification Department. These interviews explain the programs related to childcare leave and provide advice about the work style after the employee returns to work in addition to introducing information such as examples of other employees who have found balance between raising children and work.

Moreover, employees who want to work while raising children can apply for programs such as the flextime system as well as reduced working hours so that they can have a flexible workstyle.

Family Open Day

Since July 2014, Sumitomo Forestry holds the “Family Open Day,” an event for the families of employees to visit their offices. The ultimate aim of this event is to create pleasant work environment and lively atmosphere for all employees by expressing the Company's appreciation for the support provided by employees' families, assisting the families in understanding about the work at Sumitomo Forestry better, and fostering opportunities for employees to gain mutual understanding with others.

In 2017, three branches held the event with 99 participants from 33 families. The children took part in the morning briefing, exchanged business cards, interviewed employees about their work, tour of the showroom, and planning of 3D design. Celebrating its fourth anniversary in fiscal 2017, Family Open Day were held as summer events to unify everyone who belongs to the Group by spearheading innovation in each place it was held. Sumitomo Forestry plans to continue and expand this initiative to as many more sites in fiscal 2018.



Tokyo West Branch

The 6th Next Generation Law Action Plan (for Fiscal 2015 to 2018)

Sumitomo Forestry formulates and implements action plans for supporting employees who are raising families, in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children (Next Generation Law).

Sumitomo Forestry has formulated its 6th Action Plan for fiscal 2015 to 2018 with the following targets.

1. Host seminars themed on work style reforms in order to foster a work environment which actively involves female employees who are rearing infants
2. Hold “Family Open Day” to create a pleasant work environment for all employees to execute their talent
3. Create systems for male employees who are raising children to consult with superiors about available programs to encourage male employees to participate in raising their children

The usage status of programs related to child raising are also published on our intranet.

An Iku-boss Seminar was held by inviting an outside instructor in September 2017 with the theme of renewing the way of thinking to continually improve results while realizing a work style in-line with each person's circumstances by limiting long hours according to an action plan. Approximately 120 people participated with most being managers who work at the head office in fiscal 2016. Approximately 180 general managers from around Japan from the Housing and Construction Division as well as others participated in fiscal 2017.

Number of Iku-boss
Seminar Participants
Approx.

180



"Kurumin" mark

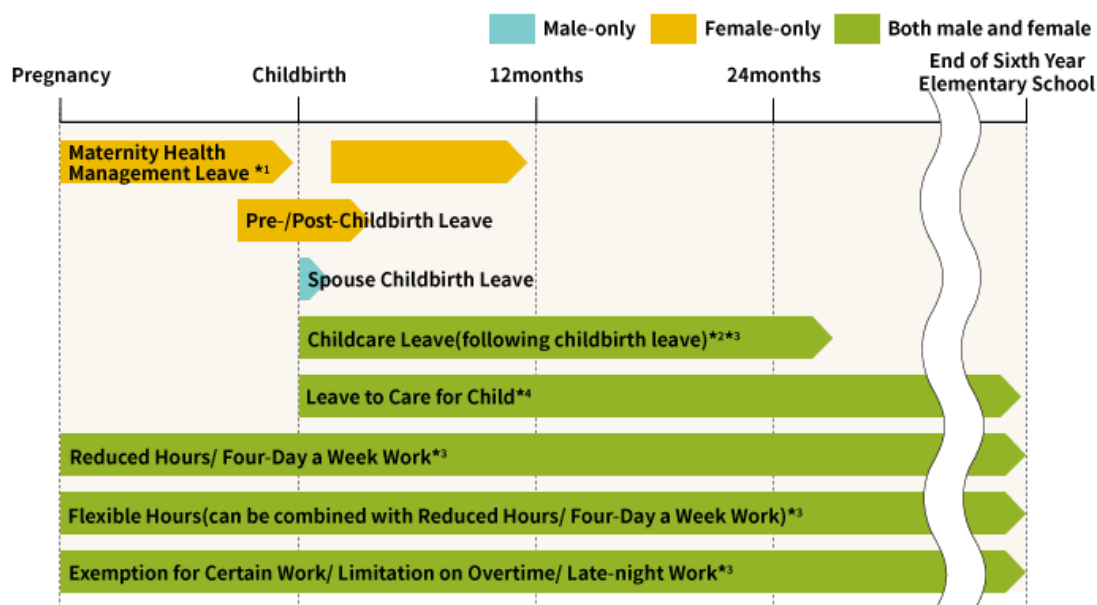
Tokyo Venue of the Iku-boss
Seminar

Promoting Paternal Support for Male Employees

In the process of receiving the lump-sum childcare allowance offered to male employees with newly born children, the employees are required to submit “the questionnaire for a parental support request,” which is followed by an interview with a direct supervisor about the answers to the questionnaire as well as details of the request. The supervisor then adds resulting comments on the questionnaire including instructions for the subordinate and consideration that should be made by the Company, at the end of the process. This system is believed to encourage more male employees to take part in the parenting duties and raise mutual understanding between the parenting males and their colleagues.

Main Childcare Support Programs (FY2017)

Program	Description
Childcare leave	Childcare leave may be taken by employees until March 31 immediately following the child's second birthday
Shorter working hours	Until the child completes the sixth grade of elementary school, employees may use the flextime system, work shorter hours, work a four-day week and be exempt from overtime work
Leave to care for child and attend special events	Employees may take the equivalent of ten days a year for their first child or 15 days a year for two or more children in 30-minute increments with full-pay to care for a sick or injured child until their children have completed the sixth grade of elementary school. Of these ten days, up to five days may be used for attending special events with their child (ten days for two or more children).



*1 During pregnancy, childbirth leave, childcare leave, within one year after the childbirth

*2 Until March 31 immediately following the child's second birthday

*3 Employees who have worked continuously for one year or more

*4 Employees who have worked for six months or more

Supporting Workstyles for Employees Caring for Family Members

Sumitomo Forestry provides support to employees who are working while also nursing family members. In fiscal 2010, family care leave was revised so that employees may take up to 365 days of leave per applicable family member, and employees may also take advantage of the flextime system, work shorter hours or work a four-day week. Sumitomo Forestry has also established family illness and injury leave, enabling employees to take up to 10 days of leave each year in 30 minute increments.

Main Family Care Support Programs and Usage (FY2017)

Program	Description	Usage in FY2017
Family care leave	This system allows up to 365 cumulative days of leave per family member requiring care, and is available to employees	<ul style="list-style-type: none"> Number of family support program users: Total of 7 (Flextime System: 4; Shorter Working Hours: 2; Four-Day Work Week: 1) Employees who took family care leave: 2
Shorter working hours	Employees may use the flextime system, work shorter hours, work a four-day week and be exempt from overtime work	
Family illness and injury	Regular employees may take the equivalent of ten days a year in 30-minute increments (employees may take an additional five days for two or more family members who require care). Employees may take five of the ten days of leave to take care of a sick or injured family member	

Family Care Support Program Performance (Non-consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Family care leave (Persons)	1	1	1	2	2
Number of family support program users (Persons) (Flextime System, Shorter Working Hours, Four-Day Work Week, etc.)	1	2	3	3	7

Refresh Leave and Family Friendly Day Leave

So that employees can engage energetically in their jobs with healthy body and mind, Sumitomo Forestry is developing workplace environments that allow employees to take leave as they wish. As part of those efforts, employees are encouraged to take consecutive days of “refresh leave” at a time that suits them in addition to the summer and New Year holiday periods. Each workplace is required to draw up refresh leave schedules for individual employees, and ratios showing the percentage of schedules formulated and the percentage of employees who take refresh leave are tabulated for each department and posted to the in-house Web. This has created an environment making it easy for employees to take leave.

At housing business branches, which are regularly closed on Tuesdays and Wednesdays, employees often meet with customers on the weekends, which sometimes makes it hard to take time off to participate in family events and other private occasions. This has been addressed with the introduction of Family Friendly Day leave, which allows employees to take either one Saturday or one Sunday off each month to spend with family or on a chosen pursuit. Branch employees are encouraged to cooperate on adjustment of job responsibilities and meeting schedules, thereby helping to create a workplace environment that makes it easy to take leave on the weekends.

Refresh Leave and Family Friendly Day Programs Performance (Non-consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Percentage of Refresh Vacation Program (%)	42.0	50.0	46.0	42.3	38.9
Percentage of Family Friendly Day Takers (%)	26.0	29.5	26.0	27.0	28.3

Encouraging Employees to Take Paid Leave


Sumitomo Forestry encourages employees to take at least ten days of planned paid leave each year, inclusive of refresh leave and the summer holiday period. Each business site draws up an Annual Vacation Schedule every January, and periodically reports to the Personnel Department on how much paid leave has actually been taken. Based on this, the results for each site are published on the intranet to encourage employees to take their paid leaves.

Paid Leave Usage Ratio
(Fiscal 2017; Non-Consolidated)

47.4% 

As for fiscal 2017, Sumitomo Forestry has consolidated the working hour management system in a way that not only employees but also their supervisors can see their leave plans, and thereby, enabled employees to plan their paid leaves better. In addition, the Housing and Construction Division established planned annual leave for all departments as of fiscal 2017 (general rule of four days).

As a result, the average number of paid leave days taken by employees in fiscal 2017 was 9.0 days, an increase of 6.9 days compared to the previous fiscal year.

The percentage of paid leave taken was 31.6%, 35.2%, 32.8%, 35.9% and 47.4%  (symbol for Independent assurance) in fiscal 2013, 2014, 2015, 2016 and 2017 respectively.

The Company has again listed “take at least 10 days of paid leave” in its Mid-Term CSR Management Plan, and will continue to further promote this initiative during fiscal 2018.

▶  [About symbol for Independent assurance](#)

Addressing Long Working Hours

Sumitomo Forestry sees long working hours left unaddressed as a factor causing occupational injuries and damage to the image of plants and it recognizes the lack of a workforce in the future as a grave management risk.

However, close communication with customers is indispensable in the sales and construction of custom-built detached housing, and long working hours occur as a result of this need.

Therefore, average overtime hours and individual overtime hours are reported to the head of each department to increase awareness about mitigating long working hours.

Additionally, the Workstyle Improvement Committee has been set up at branches of the Housing and Construction Division and each of the branches implement an initiative to address long working hours.

As to the working system and operational flow reform that are difficult to tackle at a branch level, the Long Working Hours Mitigation Committee set within the Housing and Construction Division continuously leads the long working hours mitigation campaign by making proposals for the systems improvement.



Revisions to the Personnel System

In fiscal 2017, Sumitomo Forestry revised the personnel system to transition overtime work to an actual count system paying employees based on deemed number of working hours. Moreover, we are promoting a reduction in long working hours and higher productivity by adopting a flextime system, work interval system and a productivity assessment by hour.

The transition to an actual count system and the adoption of a productivity assessment primarily aims to grow the cost awareness by hour, reduce long hours as well as heighten the quality and productivity of work.

We are also striving to equalize operational working hours overall by stipulating the total working hours per month in a flextime system.

In addition, the interval system makes sure employees have 11 hours of leisure time between the end of the work day until the start of the next work day and exempts employees from working at the start of a workday or core time if it overlaps this leisure time. These systems aim to prevent overwork and further the preservation of employee health.

Mental Health Care

Practical Mental Health Care

Based on the Guidelines for Maintaining and Improving Workers' Mental Health formulated by the Ministry of Health, Labour and Welfare in August 2000, Sumitomo Forestry implements four types of care for mental health: self-care; care provided by line managers; care provided by occupational health staff within the workplace; and care using resources from outside the business.

In April 2013, the Company established the Workstyle Diversification Department within the Personnel Department. It is responsible for providing support related to childcare and family care, career support and support for mental health. In order to further enhance mental health care, the Company put effort into providing mentally ill individuals with follow-up support and help in returning to work. The Company assigned an employee, who is a qualified clinical psychologist, to the Workstyle Diversification Department, and it worked in close cooperation with Medical Consultation and Treatment for Mind and Body, an external provider of the employee assistance program (EAP).*

We adjust stratified working hours and the work load to suit the circumstances of each individual by adopting an occupational rehabilitation system to help employees return to work to create and execute rehabilitation plans so that each person can both physically and mentally get used to the work environment.

Sumitomo Forestry distributes a Mental Absentee Guidebook when employees take leave with corporate rules and other information related to how to spend that time off as well as the suspension of their work to alleviate worry as much as possible during their break. We also distribute a Guidebook for Managers to supervisors as well to provide information that includes ways to handle each situation.

* Employee assistance program (EAP): A workplace mental health service



Mental Health Education for Management

Preventative Measures for Mental Health Care

As part of its prevention of mental health disorders, the Company has offered an online Mental Health Checkup (Self-Check) since fiscal 2013, which was made mandatory after amendments to the Industrial Safety and Health Law in December 2015, to employees covered by health insurance (excluding those employees on long-term leave, such as maternity leave or convalescence leave). Sumitomo Forestry has also provided an education program for managers run by the company counselor (clinical psychologist). The aim of this program is for those employees in managerial positions to appreciate the importance of mental healthcare and to implement appropriate prevention measures in their respective workplaces. The number of participants reached 161, 187, 198, 152 in fiscal 2013, 2014, 2015, and 2016 respectively.

In fiscal 2017, consultation and self-assessments for general managers (103 participants) and self-learning seminars (22 participants) were conducted in departments with a particularly high level of risk based on the analysis results of stress checks. In addition, self-care seminars (70 participants) and line care seminars (11 participants) were held at the Tsukuba Research Institute.

Line care seminars were also held for how-tos to preventing mental disorders before they occur for 45 trainers in charge of the education of junior technical employees. Moreover, self care seminars were conducted for 39 first-year technical employees to help them notice and handle mental disorders.

Sumitomo Forestry also provides guidance to prevent harassment with the purpose of building a lively, boundary-free workplace by communicating information to all of its employees twice a year through personnel department managers while fostering daily communication with staff on a daily basis since fiscal 2009. In conjunction, a harassment consultation desk has also been put in place in personnel departments to support consults from employees. In addition, Work and Human Rights e-learning is required for all Group employees as training that includes education about harassment. In fiscal 2017, Sumitomo Forestry conducted harassment prevention seminars through outside instructors for 360 general managers.

An employee who is a certified public health nurse has been hired into the Workstyle Diversification Department to not only offer mental health care but also provide assistance such as various health consultations, enlightenment about health for new employees, and follow-up after health check-ups.

We also conduct health check-ups before appointing or returning an employee to a post for overseas appointees as well as interview individuals, gain information and provide advice about the state of their health as well as address other needs they may have.

Practical Mental Health Care Results

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Mental Health Checkup Response Rate (%)	85.8	92.8	91.6	88.2	92.1

Telework Program

Sumitomo Forestry introduced the telework option in fiscal 2009 for such reasons as the time saved from commuting can be spent on work or family activities, and employees can concentrate when working in a quiet home environment.

In fiscal 2017, this program was expanded to all employees (approval system) except new graduates who joined the company less than three-years ago or career hires who have only been with the company for less than six months with no limit to the length of the period of use with emphasis on employees who are taking care of children or a family member as well as employees who have long commuting time. In fiscal 2018, in order to promote diverse work styles further, the Company will again work to expand use of the program, such as by explaining the program details and recommending its use to employees on an individual basis when they appear for childcare interviews or work style consultations.

Transfer Request Application Systems (Spouse Relocation / Family Care)

In fiscal 2008, Sumitomo Forestry established a program facilitating the transfer of employees to a certain destination for reasons limited to marriage or a spouse transfer accompanied by a change of residence. The program enables employees to continue working for the Company even after marriage or their spouse being transferred.

In fiscal 2014, with the new addition of “childcare” to the reasons for application, transfers are now considered in cases where an employee wants to live with their spouse for the purpose of balancing work and parenting. Also, a new system was established whereby employees can submit a transfer request for reasons of “family care.” Transfers are now also considered in cases where the location of employment restricts the employee from balancing work with family care.

As at the end of March 2018, a total 30 employees have made use of these programs to transfer to a different location.

Employment and Human Resources Development

Recognizing the Imperatives

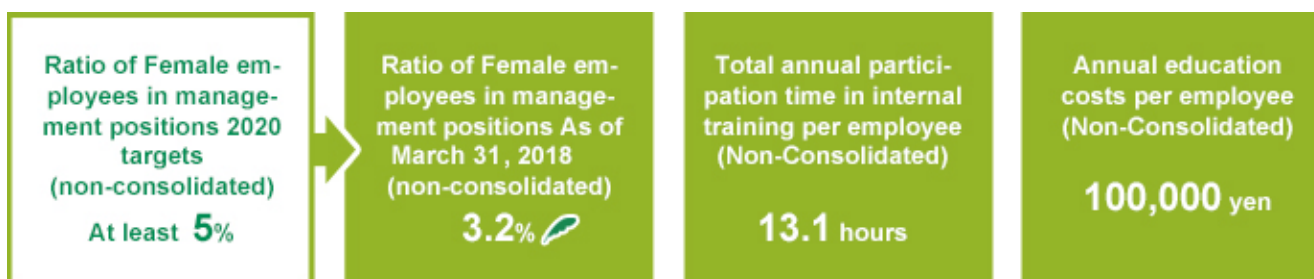
A wide range of themes have been raised concerning social challenges related to employment and labor from human rights and the form of an equal workplace without discrimination to ensuring diversity and improve the skills of each and every employee.

We believe working to resolve these challenges is the driving force to improve corporate value and business promotion that have positive effects that include gaining human resources and improving the motivation of employees while eliminating risks on employees. Sumitomo Forestry also provides a wide range of opportunities from education and training to skill development.

Relevant Targets and Performance

The Sumitomo Forestry Group sets 2020 targets for the ratio of female employees in management positions and actively promotes efforts to achieve those goals.

In addition, we are enhancing our efforts and measures to contribute to business development such as the promotion of diversity and human resource development.



▶ About symbol for Independent assurance

Activity Report

- ▶ Fair Employment and Benefits
- ▶ Human Resources Development
- ▶ Communication with Employees

Fair Employment and Benefits

Basic Policy on the Employment and Treatment of Employees

According to internationally accepted human rights norms, we shall of course respect equal opportunity and diversity as well as respect the human rights of all individuals, including women, children, indigenous people, minorities and vulnerable people in the employment and treatment of employees as stated in the Sumitomo Forestry Group Code of Conduct Guidebook. In its recruitment activities too, the Company emphasizes the ambition and volition of the applicant, and does not differentiate selection processes according to academic background or gender. At Group companies outside Japan, the employment of local staff is actively promoted, and talented personnel are employed and promoted to management positions, irrespective of race or gender.

As for the disciplinary punishment and dismissal of employees, if there has been a compliance violation, the employee will be dealt with appropriately in accordance with Employment Regulations. Unfair dismissals are not allowed.

Recently, talent acquisition has been recognized as one of the major management issue for management in Japan triggered mainly by low birth rate and thereby aging population. Sumitomo Forestry communicates its employment and benefit policies with potential employees during recruitment and expands supportive programs to foster diverse work styles and performance of female employees in effort of acquiring valuable, next-generation talent.

► [Sumitomo Forestry Group Code of Conduct](#)


Promotion System

The Workstyle Diversification Department, which was established as an independent organization in the Personnel Department in April 2013, supports the utilization of a wide range of employees from female staff to re-employed retirees and employees with disabilities as well as promotes diversity.

Promoting the Active Involvement of Female Employees

The Sumitomo Forestry Group is committed to a workplace environment where motivated employees can be actively involved irrespective of gender, age, nationality, race, religion or disability. In an endeavor to actively engage female employees in particular, the Group has sought to improve its systems relating to childcare, education and training, and at the same time, has taken a proactive stance on promoting the use of these systems.

During fiscal 2013, the Group surveyed the attitude and needs of employees with respect to: work and careers; promoting the active involvement of female employees; and childbirth and parenting. A survey was conducted to gauge the awareness of all female employees at Sumitomo Forestry to assist the Group in promoting the active involvement of female employees and in supporting the workstyles of employees currently raising children. In December 2013, the Group released the "Sumitomo Forestry Group Declaration on Empowering Women." It was issued to the entire Group under the name of the President, and formally summarizes the significance of promoting the active involvement of female employees into three policies. The Group is actively engaged in activities under the policy described in the Declaration.

In December 2014, numerical targets for the appointment of women to managerial posts have been set in order to foster further empowerment of female employees at Sumitomo Forestry. We have publicly announced our goal of raising the ratio of female managers to at least 5% by 2020 (3.2%  as of March 31, 2018), and are working to achieve this goal. In fiscal 2016, in accordance with The Act on Promotion of Women's Participation and Advancement in the Workplace of the Japanese Government, the Company's first phase action plan (April 1, 2016 to March 31, 2019) was implemented and has been available to the public.



Sumitomo Forestry has been conducting a mentoring system for the purpose of encouraging growth for the active participation of female employees as management since fiscal 2016. The mentoring system is a program where assigned mentors periodically interview mentees to support the growth of the mentee. In fiscal 2017, six female manger and manager candidates mentees where mentored by male managers in positions of general manager or above with the aim to further success and self-reformation.

Ratio of Female
employees in
management positions
2020 targets (non-
consolidated)

At least **5%**

Ratio of Female
employees in
management positions as
of March 31, 2018
(non-consolidated)

3.2% 

- ▶ [Sumitomo Forestry Group Declaration on Empowering Women](#)
- ▶ [Employee Childcare Support](#)
- ▶ [Sumitomo Forestry Co., Ltd. First Term Action Plan \(in Japanese\)](#) 
- ▶  [About symbol for Independent assurance](#)

Employment and Promotion of Women (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Female employees including contract employees ^{*1} (%)	17.8	18.8	19.4	20.0	20.4
Female employees in management positions ^{*1} (%)	1.9	2.2	2.6	2.8	3.2
Female new graduates ^{*2} (%)	23.8	29.0	26.8	22.8	18.0

*1 The ratio of female employees and the ratio of female employees in management roles is a retrospective calculation based on the number of employees as of March 31 each year.

*2 The ratio of new female graduates is calculated based on the number of employees as of April 1 each year.

Employment and Promotion of Women (Subsidiaries in Japan)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Female employees including contract employees (%)	29.5	29.6	30.4	30.7	31.6
Female employees in management positions (%)	3.2	3.6	4.0	4.2	4.6
Female new graduates (%)	36.5	36.1	48.0	40.3	40.2

Development and Sales from a Woman's Perspective

Having started in March 2013, Women's Perspective Project which gathered diverse female employees from the headquarters, branch offices across Japan, and Group companies in intention to bring homes designed from their residents' perspectives. Previously, the project provided the "comama" spatial design proposal and also nine houses built and sold in just half a year at East Hills Seya in the Ikoma district in Nara Prefecture.

In addition, the brush-up customer service training from a woman's perspective is continually held for female home advisors in each sales office and branch. This training is held for the purpose of making proposals after understanding Sumitomo Forestry products which utilize the perspective of women as well as building trusting relationships with customers after understanding the current concerns and dreams from a woman's perspective through an open dialogue. In fiscal 2017, 152 female employees took this training program.

Main Initiatives Aimed at Increasing the Motivation of Female Employees

Sumitomo Forestry provides various training for female employees.

The training for women salespersons in fiscal 2017 was held with the purpose of teaching a practical level of the necessary skills and abilities to make proposals to improve the first contact with customers. The education also helped enhance knowledge and motivation by sharing information beyond area and generation.

The production training for female employees provided an informational exchange with other companies in the same industry as well as construction site tours for female on-site managers with the goal of teaching successful examples of construction engineers who are women outside Sumitomo Forestry as well as improving skills and motivation.

Main Initiatives Aimed at Increasing the Motivation of Female Employees

Eligible Persons	Description	Date	Number of Participants
Sales Staff	Female Sales Staff Training	December 2017	52
	Networking Event for Female Housing Sales Staff: Joint Program by Nine Housing Builders	November 2017	6
Production Staff	Production Training for Female Employees	January 2018	10
Managers and Manager Candidates	Mentoring Program	July 2017 to June 2018	6
Management	External Management Leadership Training	October 2017 to May 2018	2

Promoting the Employment of Persons with Disabilities

Sumitomo Forestry promotes the employment of people with disabilities, giving the highest priority to matching the individuality of each person with a disability with the workplace and business activities. The ratio of disabled employees as of end March, 2018 was 2.26%. Furthermore, to improve the retention rates for current employees, the Company provides regular face-to-face meetings as well as phone interviews and career advice as required.

Ratio of Disabled
Employees
As of March 31, 2018
(Non-consolidated)

2.26%

Employment of Persons with Disabilities (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Ratio of Disabled Employees (%)	2.18	2.24	2.12	2.12	2.26

* The calculation includes the subsidiary Sumirin Wood Peace Co., Ltd. for fiscal 2017.

Promoting Proactive Employment of Persons with Disabilities –Sumirin Wood Piece Founded

Aiming to provide employment opportunities for persons with disabilities, the Company in July 2015 founded a subsidiary in Niihama, Ehime Prefecture in Japan with business lines such as shiitake mushroom farming, wooden products manufacturing, processing, and printing. The Sumitomo Forestry Group hired five persons who have intellectual and psychological disabilities in October 2016. In March 2017, a new office building was completed and in April the Sumirin Wood Piece obtained the certification of a special subsidiary company in accordance with the Act for Promotion of Employment of Persons with Disabilities.



Exterior of new Sumirin Wood Piece Office Building

Re-Employment of Retirees

Sumitomo Forestry has a system in place whereby it re-employs personnel, who retired at 60, on temporary contracts until they turn 65, on the condition that they have had at least 10 years of continuous service, they have specific qualifications and experience, and they wish to be re-employed. The Company re-employed 50 people in fiscal 2017. They are all actively involved in the Company, making the most of their abilities and experience.

Over the past three years, Sumitomo Forestry has re-employed 83.3% of employees who retired. As an interim measure following revision of the Act on Stabilization of Employment of Elderly Persons on April 1, 2013, the Company re-employs all workers who wish to return to work.

Number of Re-Employed Retirees

FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
28	43	34	46	50

In addition, “senior human resource asset bank center” system began operations in April 2018 to utilize human resources over the age of 65 who are necessary to the company and would like to keep working with the purpose of actively using human assets regardless of age.

Return to Work Application System

Sumitomo Forestry has operated the Return to Work Application System since fiscal 2008. The aims of the system are to meet the re-employment needs of workers to secure talented personnel who resign due to unavoidable circumstances such as childcare and eldercare. Employees register their wish to return to work at the time they resign, and applicants must have had worked for at least three consecutive years before the resignation. As of the end of March 2018, the Company received 157 applications.

When the Company receives an application, it goes through a selection process based on the Company's needs and the skills of the applicant. Applicants who are successfully re-employed within three years of the resignation are able to regain the same levels of position as before.

Direct Employment of Non-Permanent Employees

In recent years, regulations for dispatched employees have been strengthened to correct disparities arising out of different forms of employment. In response, Sumitomo Forestry reviewed its personnel systems to appoint competent employees, and in April 2011, changed the status of its dispatched employees to directly employed fixed-term employees, referred to as "partner employees." Sumitomo Forestry also operates a system for promoting partner employees to permanent status. It promoted 19 workers to permanent employee status in fiscal 2015, 14 in fiscal 2016, 19 in fiscal 2017 and 12 in fiscal 2018.

Number of Partner Employees Promoted to a Permanent Employee

FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
28	19	14	19	12

Human Resources Development

Basic Policy on Human Resources Development

Guided by the policy for human resources development of "autonomy" and "support," Sumitomo Forestry aims to realize its Corporate Philosophy by developing employees with a strong sense of pride and motivation, and by creating a culture that is open and inclusive.

Promotion System

Sumitomo Forestry Business Institute, Personnel Department

The Sumitomo Forestry Business Institute within the Personnel Department of Sumitomo Forestry plans and conducts training to teach business skills in which employees can participate widely even outside of their Group company or business division.

In addition, meetings for people in charge of Sumitomo Forestry Group Training are held to exchange information about human resource development.

Human Resources Development Department, Housing and Construction Division

The Human Resources Development Department conducts practical education around the axes of the customer perspective and professionalism for employees who belong to the Housing and Construction Division (sales, design, interiors, production, general affairs, and head office staff).

This department also supports training at each company by working closely with each Group company managed by the Housing and Construction Division.

Group company and each department

Training to develop professionalism in each field is conducted at each Group company and in each department.


Development of the Sumitomo Forestry Business Institute

Under a theme of "Supporting Motivated People," since the Sumitomo Forestry Business Institute launched in fiscal 2011, the Institute has shifted emphasis, from "training for each level," which had previously been advocated across-the-board, to more "self-development" and "selective" training, and the content of e-learning has been expanded.

In addition to the training for each level that includes new employee training, we are conducting selective and elective group training jointly throughout the Group. Sumitomo Forestry Business Institute e-learning provides a flexible learning environment to Group employees in Japan.

Sumitomo Forestry Business Institute training system, Personnel Department (FY2017)

Level/ grade	Management track			Staff track							Proposed recruits				
	Officers	General manager class	Department manager class	Section manager class	Supervisor class		Assistant Supervisor class								
Training for specific levels (across-the-board attendance)	Officers training	Training for managers	E2 grade aptitude training	E1 grade aptitude training		Preparation program for general management	OJT trainer training	Training for 5th year general management		Training for 5th year graduates	Training for 3rd year general management	Shikoku forestry training for 3rd year graduates	Follow-up training for 1st year general management	New employee training (new graduates)	Follow-up training for proposed graduate recruits
				Training for those who have changed job categories											
				New employee training (graduates from earlier years)											
				Shikoku forestry training for new employees (graduates from earlier years) and for those who have changed job categories											
Selective training (nominated / open invitation)	Next generation leader development training														
	External graduate studies programs														
	Training prior to overseas posting														
Self-development training (voluntary)	Sumitomo Forestry Business Institute courses (conducted in-house: group training delivered by Sumitomo Forestry instructors or by invited instructors)														
	External public courses (conducted outside the company: external training, open/correspondence courses at university)														
	Support for tuition fees (providing assistance for the cost of attending a preferred external course found independently)														
	Support for obtaining qualifications (providing assistance for the cost of taking examinations registering and reviewing qualifications, and for attending courses to obtain qualifications)														
	Language learning support (providing support for learning languages, such as language schools and language testing)														
Sumitomo Forestry Business Institute/ e-learning	Shared learning (Sumitomo Forestry's history, corporate policies, legal compliance, environment, information security)														
	Business skills (document writing, logical thinking, marketing, etc.)														
	Management skills (team management, coaching, etc.)														
	Knowledge (legal, financial, accounting, labor, harassment, mental health, etc.)														
	Specific learning for each business division (Timber & Building Materials Division, Housing Division, etc.)														

*  Training courses in the color indicates that are available for employees from Group companies in Japan

Number of Employees Attending Main Training Programs (FY2017)

Training program	Number of people attending (non-consolidated)	Number of people attending (Group companies)
Training by specific levels (11 courses)	904	145
Elective training (23 courses)	83	30
Self-development training (37 courses)	366	10
e-learning (6 mandatory courses)	4,906	4,737

Hours of Training and Expenditure on Training (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Hours of training received per employee	7.5	6.8	9.3	9.4	13.1*
Expenditure on training per employee (yen)	91,000	91,000	91,000	100,000	100,000

* The figures increased due to a revision in the calculation method in fiscal 2017.

Support for Obtaining Qualifications and Attending External Education

Sumitomo Forestry promotes independent efforts for capacity building and career development. For instance, the Company's Regulations for Assistance in Obtaining Qualifications and Attending External Education include provisions for assistance when an employee seeks to obtain qualifications or use an external educational institution.

With regard to obtaining qualifications needed for managing operations and qualifications recommended for capacity building, the regulations prescribe assistance limits for each qualification.

In particular, a lump-sum payment is provided to employees who pass the examination for first-class Architect to acquire a first-class Architect license. 12 employees satisfied the criteria in fiscal 2017.

New Business Proposition Program—Power for the Future Project

Sumitomo Forestry has established the New business proposition program—Power for the Future Project, harnessing the ambitions and skills of employees to create new businesses. The project enables everyone who works in the Sumitomo Forestry Group in Japan to make new businesses proposals based on their own ideas. This program has held five times every couple of year since the inaugural program in fiscal 2006.

Up until fiscal 2016, there have been six projects, including a day care service project, started.

Handing Down the Techniques Used in Building Wooden Houses

Sumitomo Forestry recognizes that in order to preserve the way of building houses that makes best use of the traditional Japanese wooden post-and-beam construction method, it is important to pass on these skills and techniques to the next generation of workers.

The Sumitomo Forestry School of Professional Building Techniques is an in-house educational institution certified by the governor of Chiba Prefecture, and was founded by the Company in 1988 as a corporate boarding school for vocational training. Implementation of a one-year training curriculum, the school provides training for new employees at Sumitomo Forestry Home Engineering Co., Ltd. who aspire for a job in carpentry. In terms of construction-related subjects, students study classroom-based subjects such as an introduction to building, structure, drawing, methods of construction, materials and supervision, as well as practical subjects, such as tool operation and maintenance, the traditional technique of marking timber with sumi ink and a carpenter's square, processing, safety work, model-based practical training, demonstration-based practical training and computing

with the goal of acquiring a 2nd class carpenter license upon completion. On completion of their training, graduates are assigned to places all around Japan, and after a few years, they return to the school to undertake seven to ten days of training in Japanese rooms and in a preparatory course for acquiring the 1st class carpenter license as a certified specialist.

In fiscal 2017, the school welcomed 67 new enrolments, including carpenters employed at partner firms outside the Company and saw 66 graduating. In fiscal 2018, the school had another 69 new enrolments.



Practical training in
construction of a house

New Students and Performance at The Sumitomo Forestry School of Professional Building Techniques

	FY 2014 (27th graduating students)	FY 2015 (28th graduating students)	FY 2016 (29th graduating students)	FY 2017 (30th graduating students)	FY 2018 (31st graduating students)
Number of new students*	58	64	63	67	69
Number of graduates*	56	57	61	66	-
Students who acquired the 2nd class carpenter license	46	54	57	49	-

* Calculated based on the number of employees as of March 31 each year.

Communication with Employees

Basic Policy on Communication with Employees

Sumitomo Forestry strives to create an environment that facilitates free and vigorous expression as well as an exchange of opinions by employees so that they can perform their responsibilities with vigor, integrity and consideration for others. The Company wants each and every employee to grow within a corporate culture of respect for individual employees, and fair evaluation of accomplishments and efforts.

Communication in Employee Evaluation and Job Execution

Sumitomo Forestry has a policy of providing all employees feedback on their evaluation results, with the main objective of nurturing and developing human resources through employee evaluations. Meetings between individual employees and supervisors must be held once every six months, providing an opportunity to set targets and receive an explanation of evaluation results.

In fiscal 2017, the multi-faceted evaluation system (360 Degree Evaluation) was conducted for new managers and playing managers. This program increases management skills by providing feedback to evaluation results and bring new awareness to each individual.

Sumitomo Forestry also recognizes the continuous service of employees who have worked for 10 and 20 years to thank them for their contributions to the company over so many years. In addition, the Personnel Department conducts direct self-report hearings of all employees once a year to ascertain opinions on jobs and workplaces, transfer requests and family circumstances, among other matters.

Casual Discussion

Casual Discussions have been held on a regular basis since 2007 as a platform for discussion between the President and employees, with an aim of facilitating new ideas for the Sumitomo Forestry Group.

The Sumitomo Forestry Group held two dialogues by recruiting participants from five Group companies in 2017. The first dialogue was held under a work-life balance theme to widely discuss carer paths and work-style reforms to succeed in working while raise children or taking care of a family member. The second dialogue was held under a Sumitomo Forestry Group technological capabilities theme to broadly discuss the hopes and challenges of future technological development. As an opportunity for face-to-face dialogue between management and employees, discussions will be organized again in 2018.



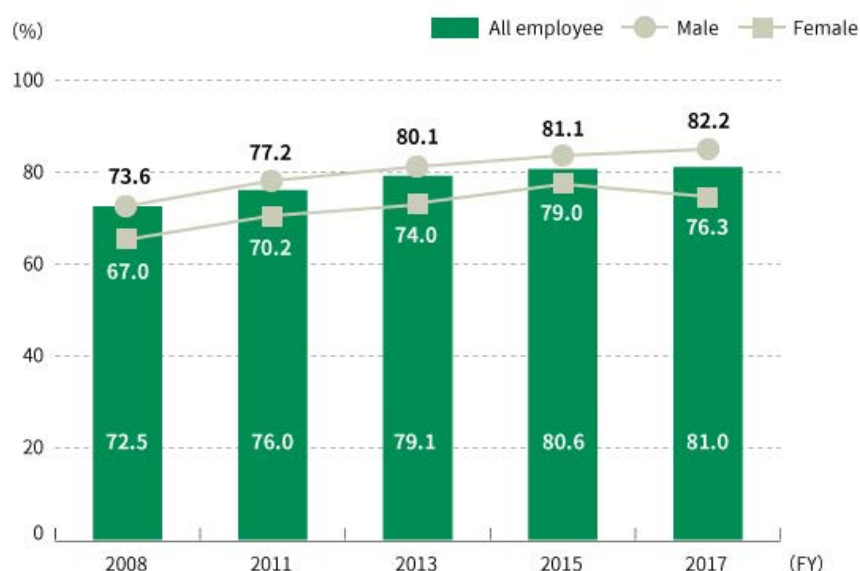
An open discussion

Employee Satisfaction Survey

In November 2017, Sumitomo Forestry conducted its eighth bi-annual Employee Satisfaction Survey, targeting its 4,852 employees. This survey included items to gain feedback on ten indicators such as work motivation, career goals and employee satisfaction with a 92.0% response rate that showed 81.0% employee satisfaction from the people working at the company, which makes the results the highest ever on this survey. Furthermore, in terms of improving motivation, we appealed to the importance of good bilateral communication in vitalizing an organization.

Based on the results of this survey, Sumitomo Forestry revised feedback interviews of assessments and techniques for guiding careers as an effort to improve motivation while reviewing training for assessments and career guidance. In addition, we will share favorable examples and initiatives based on the results of this feedback to employees and work to promote work-style reforms to enhance productivity.

Employee Satisfaction Survey Trend



Relationship with Labor Unions

All of the eligible employees at Sumitomo Forestry (3,574 people) have joined the labor union as of April 1, 2018. Within the labor agreement completed between the Company and the Sumitomo Forestry Labor Union, the Company recognizes the Labor Union's right to freely engage in activities and to collective bargaining, and promises to guarantee the stable livelihoods of labor-union members, and to maintain and improve labor conditions by establishing meetings with management comprised of both labor and management members.

In 2017, joint labor-management discussions were held on 20 occasions, and following on from the previous year, consideration was given to measures for reducing long working hours and innovating work styles.

Membership rate in labor
unions (Non-consolidated)

100%

Social Contribution

Recognizing the Imperatives

The Sumitomo Forestry Group recognizes the importance of contributing to the growth of local communities as well as protecting the local forest resources when starting and expanding businesses.

Therefore, we would like to build an infrastructure for smooth operations and business expansion in each country and region by engaging in local social contribution activities and activities that focus on efforts such as dialogue and cooperation with the local community in the promotion of overseas businesses.

Relevant Targets and Performance

The Sumitomo Forestry Group actively promotes social contribution activities such as local contributions and environmental protection, contributions in the welfare and medical fields. We also promote donation activities with emphasis on the environmental field to preserve forests and encourage ongoing use of wood resources as well as in the next generation education field for the youth entrusted with our future.



Activity Report

- ▶ [Promotion of Social Contribution Activities](#)
- ▶ [Examples of Social Contribution Activities in Japan](#)
- ▶ [Examples of Overseas Community Development and Regional Contribution Activities](#)

Promotion of Social Contribution Activities

Policy on Social Contribution Activities/Donations

The Sumitomo Forestry Group advances social contribution activities in the areas of environment, community service, and next-generation development to protect abundant forests into the future and to contribute to sustainable use of wood resources and local community development.

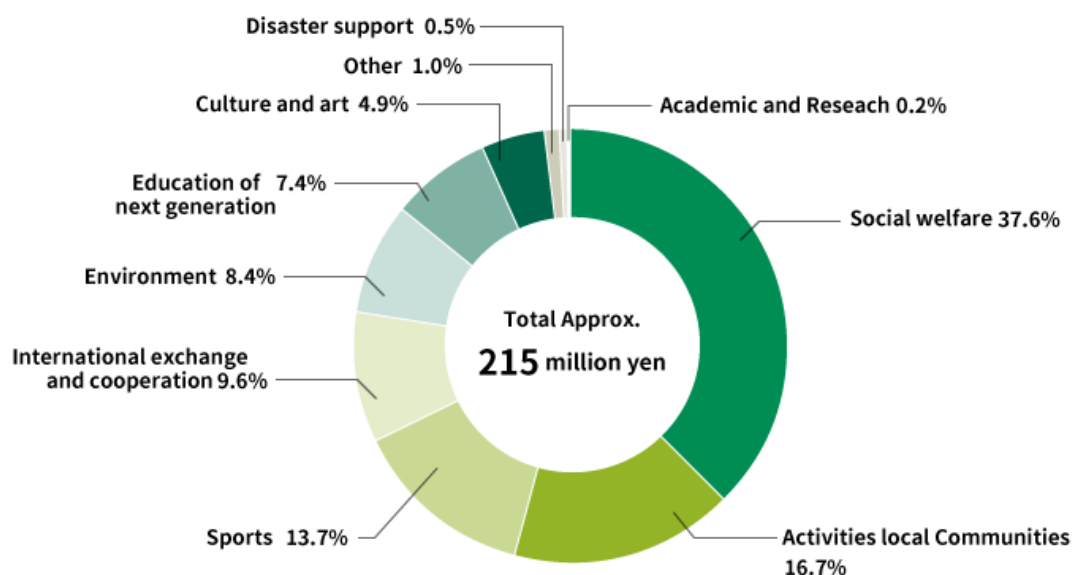
Fostering greater understanding about forests over a large section of society is particularly important as the social contribution activities concerning forest conservation are closely related to the Group's businesses.

This motivates Sumitomo Forestry to dedicate itself to environmental education for elementary and junior high school students, such as lectures and hands-on learning in forests. The Company is also actively involved in activities which make a contribution to the wider society, such as the restoration of forests damaged by disaster.

Sumitomo Forestry also supports volunteer activities undertaken by individual employees in local communities to create a workplace environment that encourages people to contribute to their local communities.

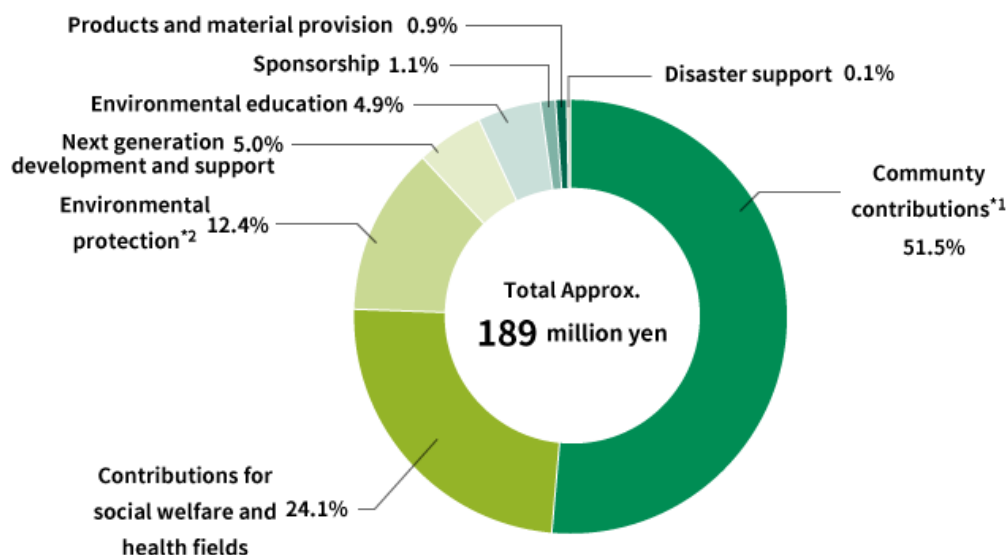
Social Contribution Donations

Breakdown of Social Contribution Donations by Category (FY2017)



Expenditure on Social Contribution Activities

Breakdown of Expenditures on Social Contribution Activities (FY2017)



*1 Costs of community cleaning activities and the Forester House operation

*2 Mt. Fuji Manabi no Mori operation costs

Introducing a Volunteer Leave Program

To support its employees' volunteering activities, in May 2011 the Company established a volunteer leave program that allows employees a total of five days of leave a year for volunteer activities.

Moreover, the Company provided special support for volunteer activities for the Great East Japan Earthquake, for a specific time period, it paid the travel expenses and volunteer insurance premiums of employees who wanted to help.

Contributions to Public Policy

The Sumitomo Forestry Group coordinates and cooperates with national and local governments, the business community and others, making recommendations toward the improvement and resolution of worsening environmental and social issues.

Public Service (As of June 1, 2018)

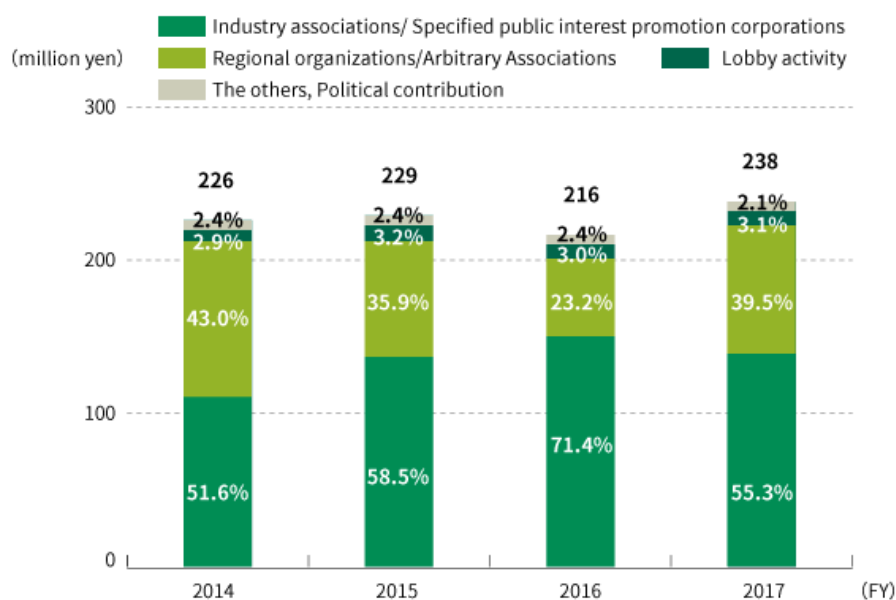
Organization	Position	Position	Name
The Tokyo Chamber of Commerce and Industry	Special adviser/Council member	Chairman of the Board and Representative Director	Ryu Yano
The Japan Chamber of Commerce and Industry	Special adviser	Chairman of the Board and Representative Director	Ryu Yano
The Building & Housing Center of Japan	Outside director	Chairman of the Board and Representative Director	Ryu Yano
Japan-China Association for Building and Housing Industry	Supervisory Officer & Vice Chairperson	Chairman of the Board and Representative Director	Ryu Yano
National Conference for Promoting Forestry Revival and Regional Revitalization	Vice-chairperson	Chairman of the Board and Representative Director	Ryu Yano
Organization for Landscape and Urban Green Infrastructure	Representative Supervisory Officer & Chairperson	Chairman of the Board and Representative Director	Ryu Yano
Greenery by Golf Group	Supervisory Officer & Chairperson	Chairman of the Board and Representative Director	Ryu Yano
Japan-Myanmar Association for Industry of Housing and Urban Development	Chairperson	Chairman of the Board and Representative Director	Ryu Yano
Japan Global Exchange Forum for Housing, Building and Urban Development	Supervisory Officer & Chairperson	Chairman of the Board and Representative Director	Ryu Yano
Keidanren Committee on Nature Conservation	Vice-chairperson	Representative Director President and Executive Officer	Akira Ichikawa

Organization	Position	Position	Name
Japan Association of Corporate Executives	Vice Chairperson	Representative Director President and Executive Officer	Akira Ichikawa
The Machinami Foundation	Director	Representative Director President and Executive Officer	Akira Ichikawa
The Tokyo Chamber of Commerce and Industry – Japan Committee for the Japan-New Zealand Business Council	Vice-chairperson	Representative Director President and Executive Officer	Akira Ichikawa
Gifu Academy of Forest Science and Culture	Visiting Professor	Representative Director President and Executive Officer	Akira Ichikawa
Japan Indonesia Association, Inc.	Director	Representative Director President and Executive Officer	Akira Ichikawa
Wooden Home Builders Association of Japan	Chairperson (Representative Supervisory Officer)	Representative Director President and Executive Officer	Akira Ichikawa
Japan Federation of Housing Organizations	Vice Chairperson (Representative Supervisory Officer)	Representative Director President and Executive Officer	Akira Ichikawa
Japan Association of Corporate Executives Sustainable Development Goals (SDGs) Workshop	Vice-chairperson	Representative Director Executive Vice President and Executive Officer	Tatsuru Satoh
Institute for Innovative Healthcare	Director	Representative Director Executive Vice President and Executive Officer	Tatsuru Satoh

Organization	Position	Position	Name
Japan 2x4 Home Builders Association	Director	Director Senior Managing Executive Officer	Toshiro Mitsuyoshi
Japan Lumber Importer's Association	Chairperson	Director Managing Executive Officer	Akihisa Fukuda
Serviced Housing for the Elderly Association (Formerly the Kosen Cooperative)	Auditor	Managing Executive Officer	Kunihiko Takagiri
Japan Printed & Colored Plywood Manufacturer Association	Executive Director	Executive Officer	Ryoji Machino
Central Japan Plywood Manufacturers' Association	Director	Executive Officer	Ryoji Machino
Japan Acoustic & Laminated Flooring Manufacturers Association	Director	Executive Officer	Ryoji Machino
Japan Overseas Plantation Center for Pulpwood	Director	Managing Executive Officer	Akira Sekimoto
Japan-Papua New Guinea Association	Director	Managing Executive Officer	Akira Sekimoto
Japan Federation of Housing Organizations – Environment Committee	Committee chairperson	Adviser	Hideki Nose
Japan Federation of Housing Organizations – International Foreign Relations Committee	Committee chairperson	Adviser	Hideki Nose
Institute for Building Environment and Energy Conservation	Director	Adviser	Hideki Nose
Japan Greenery Research and Development Center	Trustee	General Manager, External Relations Department	Akito Kataoka

Organization	Position	Position	Name
National Land Afforestation Promotion Organization	Director	General Manager, External Relations Department	Akito Kataoka
The Forest Culture Association	Director	General Manager, External Relations Department	Akito Kataoka

Costs Such as to Various Associations



Examples of Social Contribution Activities in Japan

Mt. Fuji Manabi no Mori Project

National forest cloaking the foothills of Mt. Fuji was extensively damaged when a typhoon struck southern parts of the Kanto region in 1996. In 1998, setting out to restore the vitality of the original forest, Sumitomo Forestry launched a natural forest restoration project to commemorate the 50th anniversary of the Company's establishment; encompassing around 90 hectares of the damaged forest named Mt. Fuji Manabi no Mori.

The Mt. Fuji Manabi no Mori is open not only for the volunteer activities in reforestation and environmental education programs, but also for NPOs and other organizations. A total of 1,547 people visited Mt. Fuji Manabi no Mori from inside and outside of the Company in fiscal 2017 with a total of 26,634 people visiting the project between 1998 and 2017.

Volunteer Activities in Forestry Development

Tree-planting activities carried out by many volunteers from both inside and outside Sumitomo Forestry since the start of the project in 1998 have already been completed and the project has entered the forest protection stage.

Volunteer activities were implemented on 8 occasions in fiscal 2017, with participation by a total of 359 visitors. In addition, we conducted tree surveys in October through volunteers to grasp the state of trees in Manabi no Mori, including natural forest areas.

In the future, we will shift Manabi no Mori to a more suitable forest for learning.

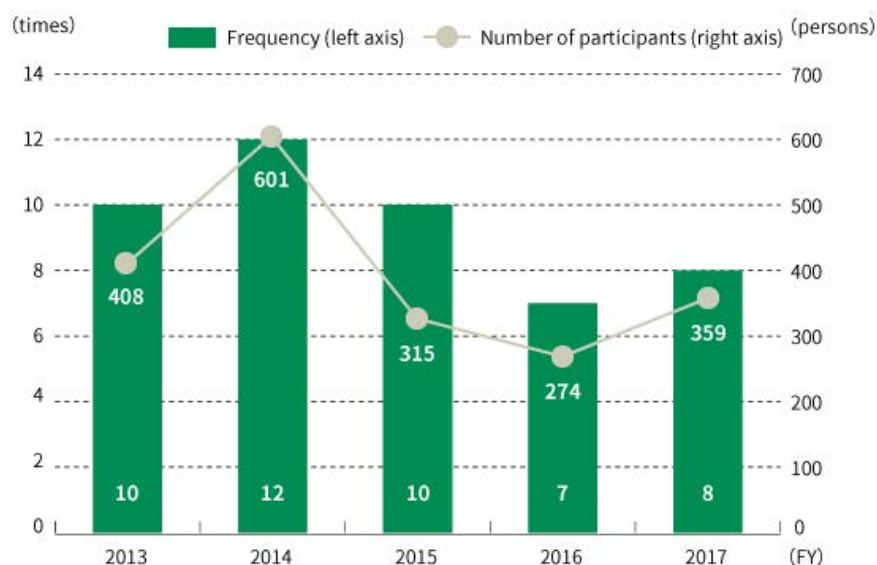


Employees Participating as
Volunteers



Students of the Sumitomo
Forestry School of Professional
Building Techniques
Participating as Volunteers

Forest Recovery Volunteer Activities Trend



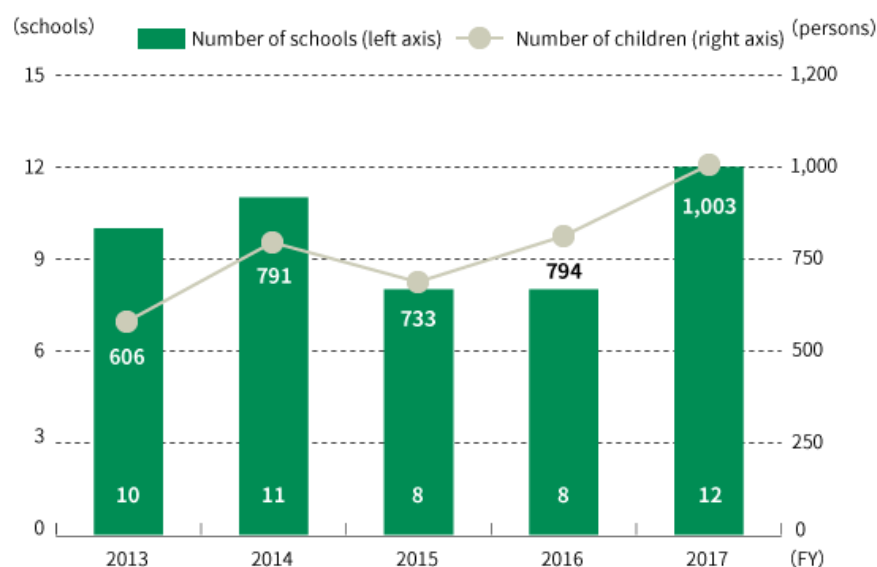
Environmental Education Program

Sumitomo Forestry has been implementing an Environmental Education Program for local elementary and junior high school students since fiscal 2006 in collaboration with the NPO Whole Earth Institute. Activities include nature observation and games incorporating the five senses. The aim of these opportunities to rediscover the natural world is for the students to learn about the importance of nature and encourage them to consider new ways in which people can coexist with nature in the future. In fiscal 2017, a total of 1,003 students from 12 schools participated in the program.



Environmental Education Program

Environmental Education Program Trend



Vegetation Monitoring and Wildlife Habitat Survey

Experts have been carrying out surveys, including vegetation monitoring and wildlife censuses, since fiscal 2000, providing valuable data for understanding the biodiversity of the region.

Cultivating a forest is a never-ending job and Mt. Fuji Manabi no Mori, too, is a 100-year project. To ensure that the project is still running 100 years from now, forest management and environmental activities will be continued as a way to communicate the importance of nature to as many people as possible.

▶ [Link to Mt. Fuji Manabi no Mori \(in Japanese\)](#)

Forest Maintenance Activities at Gunma Manabi no Mori

In July 2012, Sumitomo Forestry and Gunma Prefecture signed a prefectural forest maintenance partnership agreement, and are working with the prefectural authorities to promote the maintenance of forest at the foot of Mt. Akagi.

Located within the jurisdiction of Maebashi City, Akagi Forest is owned by Gunma Prefecture, which promotes maintenance and conservation of its forests in cooperation with companies and organizations. Sumitomo Forestry held Gunma Manabi no Mori during fiscal 2017. 47 Sumitomo Forestry Home house owners and their families as well as 54 employees of Sumitomo Forestry and partner builders as well as their families participated in the activities which included planting of Japanese cypress seedlings and thinning work with the help of local forest associations in July and August respectively.



Gunma Manabi no Mori

Development of Technology to Pass Down Heritage and Precious Trees to the Next Generation

Sumitomo Forestry uses the most cutting-edge biotechnology in addition to conventional grafting and cutting based on the request of owners to pass down heritage and precious trees to the next generation. We are also putting our strength into breeding seedlings that provide the properties in the flowers and leaves of heritage and precious trees as a way to pass down both heritage and precious trees to the next generation. In addition, we are building a DNA database for trees to further advance a sophisticated program to identify individual varieties.

Donation of cloned Kuchiya Akagane-no-Matsu pines to Niihama City where Sumitomo has close ties on the 80th anniversary of the city's founding

Sumitomo Forestry donated cloned Kuchiya Akagane-no-Matsu pines to Niihama City on November 2, 2016 as a celebration of 80 years since the city's founding. We began to research Kuchiya Akagane-no-Matsu pines with the cooperation of Niihama City in the spring of 2012. This strain of cloned pines was a test for propagating and cultivating trees grafted from the Miracle Pine to have survived the Great East Japan Earthquake. The age of this tree makes harvesting the optimal materials impossible and prorogation was thought difficult, but a seedling was successfully cultivated in 2014. The seedlings of the clone pines that were donated are growing next to Kuchiya Akagane-no-Matsu together with Niihama City and connect to the future of Niihama where Sumitomo Forestry has close ties.

Choukouzan Shoutai-ji Temple weeping cherry seedlings cloned from the Senhime cherry blossoms from unite Odawara and Sendai

Tissue culturing is one of the techniques of biotechnology at Sumitomo Forestry. The Senhime cloned cherry blossoms cultivated as clones were planted at the Tricentennial Celebration for The 300th Anniversary of Date Tsunamura, the fourth daimyo of the Sendai domain, held on April 7. The Choukouzan Shoutai-ji Temple weeping cherry blossoms propagated from the Senhime cherry blossom trees are known under the name Yoraku cherry blossoms in the Edo period because of the delicate shape of the tree. These trees stretch back 340 years and have been designed a protected species by Odawara City. Concerned about the declining vigor of trees in the dramatically changing environment in recent years, Choukouzan Shoutai-ji Temple, Odawara City, and Sumitomo Forestry joined forces and succeeded in the technical development in 2009 to cultivate decedents of trees via tissue culture. The Senhime cherry blossom trees cultivated in this project have been given their name for the union between Senhime (Manjujidono), the daughter of Inaba Masanori who was the daimyo of the Odawara domain, with Date Tsunamura in 1674.



Planting the Senhime Cherry Blossom Tree

Teaching a Course Under the Theme “The Dream of Bio Hanami to Create a Future for the Earth Through the Power of Trees!” to High School Students

Sumitomo Forestry Group cooperated in the 17th Nikkei Education Challenge held in July 2017. The Group conducted a course under the theme “The Dream of Bio Hanami to Create a Future for the Earth Through the Power of Trees!” for high school students who will be entrusted the future of our society. Through participation in this program, Sumitomo Forestry introduced the broad range of its businesses center upon trees and the direct connection to businesses through the research results of the Tsukuba Research Institute. This effort was able to share the sensation, dreams and joy earned through research experience and work.

This course reviewed the project for the weeping cheery blossom trees synonymous with Toyotomi Hideyoshi at the Daigoji temple in Kyoto found in the research to cultivate and pass down these heritage trees utilizing the research and development in tissue cultures for plant life. We talked about the many failures in thousands of attempts to find a culturing medium suitable for cherry blossom trees until finally finding success in cultivating the first weeping cherry blossom tree in the world. High school students also passionately worked in actual experiments to harvest cells for growth using a microscope.



Explanation about Cell Harvesting for Growth

Conducting Corporate Research Seminars for SGH-designated Ehime Prefectural Matsuyama Higashi High School

As part of the Super Global High School (SGH) Program underway since 2014, the students of Matsuyama Higashi High School visit Niihama, Ehime, where the Sumitomo Forestry Group was founded, to take part in a seminar every year.

The seminar held in June 2017 was made up of two sections; a lecture to introduce the businesses of the Sumitomo Forestry Group as well as a discussion about the experiences of employees working abroad among other things in Niihama Office as well as field work at the Forester House in Kyubesshi. These students learned about the corporate spirit passed down through the close to 325-year history of Sumitomo Forestry as well as the contributions to current business expansion overseas.

In fiscal 2014 and fiscal 2015, students visited the Djakarta office to experience the Sumitomo Forestry business expansion in Indonesia.

Sumitomo Forestry sponsors and cooperates with the Super Global High School Program to foster global leaders starting from high school who can participate on the international stage through these series of activities.



Field work scene

Examples of Overseas Community Development and Regional Contribution Activities

Contributing to Communities Where Sumitomo Forestry Operates

The Sumitomo Forestry Group aims to contribute to sustainable local development through its operations. When starting new businesses or expanding its overseas business sites, the Group's policy is to consider the environment, revitalize local economies and promote employment and thereby operate in harmony with local communities.

Activities Which Contribute to Local Communities in Indonesia

Support for Children Through the KTI Educational Foundation

PT. Kutai Timber Indonesia (KTI) founded the KTI Educational Foundation in 2000 to commemorate its 30th anniversary with the purpose of improving the livelihood of people in Indonesia through education as well as engaging in social activities. This foundation primarily provides support for academic supplies and uniforms at elementary and junior high schools to impoverished children in Probolinggo in the East Java province where a Sumitomo Forestry Group plant is located. In fiscal 2017, the foundation provided support for academic supplies as well as IDR 38,458,000 (Approx. 280,000 yen) in financial support to children with disabilities.



Children that received school supplies and other items donated by the KTI Educational Foundation

Community Development through Project EARTH Initiatives

Sumitomo Forestry conducts Project EARTH as an effort to offset the carbon dioxide emitted in processes from the harvest of primary building materials to transport, fabrication, and building of detached houses in Japan delivered from April 2009 to March 2017 by planting in Indonesia. New reforestation efforts have already been completed and the work has currently migrated to cultivation, harvest and subsequent reforestation.

The project also encompassed activities leading to enhanced regional infrastructure, such as the preparation of roads necessary for the reforestation work, thereby contributing to improvement of the livelihoods of residents. Sumitomo Forestry also makes donations such as academic supplies to kindergartens and elementary schools in addition to setting up public restrooms in villages.

Following the lead of KTI which implemented the project, we have provided seedlings to local residents and guarantee purchase of plantation timber that is cultivated at a fair price to contribute to creating a revenue source for the local people while taking responsibility for one aspect of sustainable plantation activities.

► [News Release: KTI Reforestation Cooperative Newly Acquires the FSC Forest Certification \(in Japanese\)](#)



Public Bathrooms Set Up in
Village



Harvesting and Transport of
Timber

Contributing to the Community through Free Seedling Distribution and Support for Infrastructure Provision

PT. Rimba Partikel Indonesia, which conducts the manufacture and sales of particle board, distributes free seedlings to local residents and guarantees the purchase of the timber at a fair market price from the seedlings that are cultivated, which helps the community economically and in terms of greening. In addition, the company continues to support mosque repair work and in road surfacing.



Donation of seedlings to the local
Kendal Regency

Respect for Local Tradition and Culture at Overseas Plantations

The plantation forest operations in Indonesia communicate with the local residents and associations to gain a deep understanding of the local traditions and culture and conduct safety festivals together with the local people when starting operations in accordance with those traditions. Sumitomo Forestry also engages in efforts to respect the traditions and cultures of local communities, such as capital support for traditional events held by local residents.



Village meeting

Contributing to Technical Development and Reforestation for Sustainable Peatland Use

Sumitomo Forestry strives to develop forestry technologies together with the region through large-scale plantation operations in West Kalimantan, Indonesia.

► [Plantation Forest Operations in West Kalimantan, Indonesia \(Industrial tree plantation\)](#)

Building Infrastructure and Providing Basic Educational and Medical Support in neighboring business regions

PT. Mayangkara Tanaman Industri (MTI), a large-scale plantation business operator in Indonesia, views sustainable development of local communities as a vital managerial challenge, and thereby, undertaking community services that meet the needs of local residents in the areas of education, medicine and hygiene, infrastructure development, agriculture, and livelihood enhancement.

In fiscal 2017, a water purifying plant was setup in villages in business regions to supply safe water for daily life to residents. In addition, Sumitomo Forestry works to provide basic educational support by building local elementary schools and deploying teachers where facilities and instructors are lacking in addition to medical support which includes free examinations for neighboring residents.



Support for stationary at elementary schools in operating areas



Educational Environment at the Elementary School

Building Social Infrastructure in Papua New Guinea

Open Bay Timber Ltd. (OBT) in Papua New Guinea has been operating plantation forest since 1984 and it contributes greatly to the economic development of each region of Kaboku, Mokolkol, Alienande, and Mevelo districts. In April 2007, OBT became a Group company of Sumitomo Forestry to further healthy expansion and effective use of reforestation timber resources.

OBT also operates clinics and super markets for their employees and local residents to use because the preparation of social infrastructure is insufficient in Papua New Guinea. In neighboring villages, OBT nurses periodically visit neighboring villages to perform infant health checkups and provide advice to the sick as well as conduct educational activities. Furthermore, a dedicated clinic vehicle was arranged to transport patients to larger hospitals.



Full View of Open Bay Clinic



Four-wheel drive vehicle to transport patients available at the clinic

As cash income support for local residents, OBT ensures a public space for sales so that anyone can sell their own fruits and vegetables after establishing company-owned land facing the coast. The building which had collapsed due to strong winds and rains during the monsoon season was also rebuilt. OBT also plans to build three additional buildings in the future to respond to the strong requests of nearby residents who fill this sales space.



Local Community in the Newly Community Market Place



A large-scale charity medical event was also held at the Open Bay Clinic built and operated by OBT to offer local citizens an everyday place to be examined properly when in the major town with the cooperation of the health department of the province. The medical staff of over 40 professionals brought together from around the world for this event examined for diagnosis and treatment for approximately 500 people over the three days of this event.



Diagnosing and Treating Adults and Children Alike



Hygiene Guidance for Children

Stand-by generators were newly installed in the Open Bay Clinic in anticipation of power-outages in the evening after the main generators stop. These generators have been able to provide sufficient support in case of emergencies or childbirth in the middle of the night.

Household solar power generators had been incorporated as a stand-by power source conventionally, but the installation of mid-size power generators in addition to these solar power generators has been able to provide a more stable supply of power.

OBT employs full-time health workers day and night at the Open Bay Clinic to provide general medical care, support childbirth and pharmaceutical needs, accept patients into the hospital, and transfer patients with serious medical concerns to major hospitals by land and sea.

The patients eligible for these services are not only employees and their families but including many people who travel quite a distance for medical care. In a country where medical facilities are lacking, the Open Bay Medical Clinic contributes greatly to the local community as the most advanced medical clinic in within a 60 km radius from its place.

Books were donated to the Open Bay Elementary School students (elementary, junior, and senior high students) attended by the local children. Also, community classroom (origami experience) for interacting was held.



Junior and Senior High School
Students Receiving the Books



Elementary School Students
Showing Off Their Origami Art

Support for Children's Hospitals in Australia

The Henley Properties Group builds and sells detached and multi-unit housing and spec homes in Australia and the United States. The Group's social contribution activities include the Good Friday Charity Auction, whereby the auctioning of a spec home, built with residential land developer, materials supplier and other business partner cooperation, raises money which is donated to children's hospitals and other facilities.

Several hundred business partners from the provision of land to design, estimation, material manufacturing, procurement, and labor management have participated in these activities. Since these efforts began in 1993, more than 14.7 million Australian dollars in total donations have been provided through the auction of 39 houses to be used for the medical costs of children suffering from intractable diseases.

The 25th auction in 2018 was held in March in Victoria, Australia. The two-story house built in Mickleham, Melbourne reached a successful bid of 860,000 Australian dollars.



Detached house auction

Regional Contribution Activities in New Zealand

Tasman Pine Forests Ltd. (TPFL) in New Zealand engages in contribution activities to bring health and safety to the local community.

In fiscal 2017, TPFL donated activity capital as a sponsor to the Nelson Marlborough Rescue Helicopter Trust. This trust is deploying rescue helicopters roughly 500 times a year for natural disasters that occur in the region and for leisure accidents. The TPFL logo is posted on the helicopter.

Furthermore, TPFL donated the funds to Fire and Emergency New Zealand (FENZ), the fire-fighting organization of New Zealand, for the purchase of a small fire engine to fight forest fires. In New Zealand, TPFL worked together with the Rural Fire Network made up of forestry companies and FENZ engaged in forest fire prevention and fire-fighting activities.

In fiscal 2018, TPFL donated to the new care hospital wing built at the Nelson Tasman Hospice. The Nelson Tasman Hospice is a charity (non-profit) organization rooted in the community which has been providing hospice care in Nelson since its founding in 1987. The new hospital wing built in this project responds to the aging society also progressing in New Zealand which has brought the present wing to capacity.



Rescue Helicopter



Fire Engine

Support for the Next Generation in the United States Through Joint Efforts with Local Residents

The Canyon Creek Cabinet Company, which manufactures and sells wooden cabinets in the United States, continually makes contributions to the region from providing offcuts of timber produced in manufacturing products to local charity organizations which donate toys to make donations of wooden toys and puzzles to child protection facilities and children's hospitals.



Helicopters, Trains and Other
Donated Wooden Toys



Toys and the Toy Makers

Construction of Monastic Schools in Myanmar

Sumitomo Forestry is involved in the Myanmar Monastic School Support Team, a body that was established to support the construction of monastic school-style community schools in Myanmar. Activities which began in 2014 have completed the fourth monastic-style schools as of March 2018 thanks to the donations of companies and individuals who see the benefit. These schools were only simple schoolhouses before they were rebuilt with an environment that prevented classes from continuing on days there was heavy rain, especially in the rainy season. At the completion of a school, the donor companies held an opening ceremony with participants from advocating companies and an opportunity to engage with the local children.

Moving forward, the Myanmar Monastic School Support Team will continue to provide support with a goal of building one school per year.



School before rebuilding



Exterior of Monastic School
after rebuilding

Construction of Monastic Schools by Myanmar Monastic School Support Team, in Number

Monastic School	Completion	Construction Region	Number of Students	Sponsors
Wutt Kyway Taw Pyay Monastery School	October, 2014	Mingaladon Township, Yangon City	Approx. 260	18 companies, 4 individuals
Pyin Nyar Theingi Nun School	November, 2015	Mingaladon Township, Yangon City	Approx. 120	18 companies, 4 individuals
Myittar Yaung Chi Nun School	November 2016	South Dagon Township, Yangon City	Approx. 180	19 companies, 5 individuals
Shuepi Paremiin Monastery Elementary and Middle School	March 2018	Aung Myay Tharzan Township, Mandalay	Approx. 520	20 companies, 6 individuals

Support and Cooperation in Nepal Manaslu Forest Restoration Project with Planting Technologies

Sumitomo Forestry provides tree-planting technological support and cooperation in the Manaslu Forest Restoration Project in Nepal led by the NPO Peak Aid, where alpinist Ken Noguchi serves as a representative.

Manaslu is one of the mountains in the Himalayas and its peak reaches 8,000 meters up in the air. The mountain once had virgin forests with rich vegetation and soil; nonetheless, recent population growth in the villages and deregulated logging have depredated the forests. The degraded forest system has resulted in increased frequency of landslide and adversely affecting lives of the villagers.

Sumitomo Forestry, therefore, has been providing advice from the technical aspect by sending experts of nurturing seedlings and forests to the project site. In fiscal 2017, we gave advice on seedling production, proposed sites for reforestation, and reforestation methods locally.

Acquisition of Quality-Related Certification

Acquisition Status of Certifications at Each Group Company

Group companies	Country	Type of certification	Date acquired
MOCCA (Timber Solutions) Department, Housing and Construction Division, Sumitomo Forestry Co., Ltd.	Japan	ISO9001	September 2015
Sumitomo Forestry Crest Co., Ltd.	Japan	ISO9001:2015	December 2017
Sumitomo Forestry Landscaping Co., Ltd. Environmental Greenification Division	Japan	ISO9001	September 2002
Sumitomo Forestry Home Engineering Co., Ltd.	Japan	ISO9001 JISQ9001	March 2006
Sumitomo Forestry Home Tech Co., Ltd.	Japan	ISO9001 JISQ9001	March 2017
Nelson Pine Industries Ltd. (NPIL)	New Zealand	JIS certification (MDF)	March 2003
		ISO9001 (MDF)	July 2003
		ISO9001 (LVL)	July 2004
		JAS (LVL)	May 2008
		JIS certification (MDF)	May 2008
		CARB certification (MDF)* EPA certification (MDF)	October 2008 August 2017

Group companies	Country	Type of certification	Date acquired
PT. Kutai Timber Indonesia (KTI)	Indonesia	JAS (plywood, LVL, laminated engineered wood)	July 2000
		Q-Mark (door flux)	June 2010
		ISO9001	August 2010
		CARB certification (PB) EPA certification (PB)	November 2012 December 2017
		CARB certification (Plywood) EPA certification (Plywood)	December 2012 December 2017
		CE Marking (Plywood)	December 2012
PT. Rimba Partikel Indonesia (RPI)	Indonesia	ISO9001	December 1999
		JIS certification (PB)	March 2007
		CARB certification (PB) EPA certification (PB)	February 2009 November 2017
PT. Sinar Rimba Pasifik (SRP)	Indonesia	JAS (Flooring/laminated engineered wood)	March 2012
PT. AST Indonesia (ASTI)	Indonesia	ISO9001	October 2002
PT. Wana Subur Lestari (WSL)	Indonesia	Timber Legality Assurance	February 2013
Vina Eco Board Co., Ltd. (VECO)	Vietnam	CARB certification (PB) EPA certification (PB)	November 2012 August 2017
		ISO9001	April 2014
		JIS certification (PB)	December 2015
Canyon Creek Cabinet Company (CCC)	United States	ISO9001	March 2007

* The standards in regulations related to the air pollution stipulated by the California Air Resources Board are stricter than federal regulations

Social Data

Employee Data Trends

Number of Employees

(Unit: Persons)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Non-consolidated	4,486	4,499	4,417	4,485	4,693
Consolidated	17,413	18,137	17,001	17,802	18,195

Breakdown of Number of Employee (Non-Consolidated)

(Unit: Persons)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Management level	2,053	2,047	1,995	2,030	2,117
Non-management level	2,292	2,297	2,292	2,303	2,398
Contract employees/ temporary contract employees	111	125	98	92	97
Hosted from other companies	30	30	32	60	81
Total	4,486	4,499	4,417	4,485	4,693

Breakdown of Number of Employee (Subsidiary Companies in Japan)

(Unit: Persons)	FY 2015	FY 2016	FY 2017
Management level	1,509	1,803	1,546
Non-management level	3,383	3,361	4,043
Contract employees/ temporary contract employees	688	799	825
Hosted from other companies	330	263	231
Total	5,910	6,226	6,645

Breakdown of Number of Employee By Age (Non-Consolidated)

(Unit: Persons)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Younger than 30	749	707	693	690	769
30-50	3,084	2,881	2,959	2,817	2,799
Older than 50	653	911	765	978	1,125

Number of Newly Hired Graduates* (Non-Consolidated)

(Unit: Persons)		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Housing sales	Male	55	60	73	80	100
	Female	16	13	17	21	13
Housing engineering	Male	22	23	22	27	37
	Female	7	8	13	7	9
General management	Male	19	15	17	22	22
	Female	7	6	5	6	6
Clerical	Male	0	0	0	0	0
	Female	0	13	6	4	7
Total	Male	96	98	112	129	159
	Female	30	40	41	38	35
	Total	126	138	153	167	194

* Calculated based on the number of new graduate recruits as of April 1 of each fiscal year.

Employment and Promotion of Women (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Female employees including contract employees* ¹ (%)	17.8	18.8	19.4	20.0	20.4
Female employees in management positions* ¹ (%)	1.9	2.2	2.6	2.8	3.2
Female new graduates* ² (%)	23.8	29.0	26.8	22.8	18.0

*1 The ratio of female employees and the ratio of female employees in management roles is a retrospective calculation based on the number of employees as of March 31 each year.

*2 The ratio of new female graduates is calculated based on the number of employees as of April 1 each year.

▶  [About symbol for Independent assurance](#)

Employment and Promotion of Women (Subsidiary Companies in Japan)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Female employees including contract employees (%)	29.5	29.6	30.4	30.7	31.6
Female employees in management positions (%)	3.2	3.6	4.0	4.2	4.6
Female new graduates (%)	36.5	36.1	48.0	40.3	40.2

Average annual pay (Non-Consolidated)

FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
8,370,867 yen	8,337,767 yen	8,483,875 yen	8,518,404 yen	8,635,865 yen

Average Length of Service* (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Male	15 years and 0 months	15 years and 5 months	15 years and 3 months	15 years and 8 months	15 years and 9 months
Female	11 years and 0 months	11 years and 0 months	11 years and 1 months	11 years and 1 months	11 years and 2 months

* Calculated at the end of the fiscal year (as of March 31 every year)

Separation rate^{*1*2} (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Voluntary separation rate (%)	2.3	2.6	2.1	2.2	2.1
Separation rate ^{*3} (%)	2.9	3.2	3.1	3.3	2.8

*1 Calculated by dividing the number of people who left during the year by the number of employees at the beginning of the year, including employees seconded to partner companies but excluding executive officers, Hosted from other companies and exchange employees.

*2 The data for each fiscal year has been calculated retrospectively.

*3 The calculation includes voluntary separations and excludes hiatuses and the end of terms.

Employment of Persons with Disabilities (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Ratio of Disabled Employees (%)	2.18	2.24	2.12	2.12	2.26

* The calculation includes the subsidiary Sumirin Wood Peace Co., Ltd. for fiscal 2017.

Employment of Persons with Disabilities* (Subsidiary Companies in Japan)

	FY 2015	FY 2016	FY 2017
Ratio of Disabled Employees (%)	1.45	1.45	1.75

* As of June each fiscal year

Rate of Local Employment in Group Companies Outside Japan*

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Rate of Local Employment in Group Companies Outside Japan (%)	99.2	99.3	99.2	99.6	99.8

* Calculated by dividing the number of employees hired locally by consolidated subsidiaries and working for the company at the end of the year by the total number of employees at the end of the year

Hours of Training and Expenditure on Training (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Hours of training received per employee	7.5	6.8	9.3	9.4	13.1*
Expenditure on training per employee (yen)	91,000	91,000	91,000	100,000	100,000

* The figures increased due to a change in the calculation method in fiscal 2017.

Work-Life Balance Program Usage (Non-Consolidated)

		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Number of childcare leave users	Male	12	7	13	13	19
	Female	29	33	40	43	41
Percentage of childcare leave users* ¹ (%)	Male	7.2	4.2	7.8	8.5	11.6
	Female	100.0	103.0	105.0	95.7	120.6
Percentage of returnees after childcare leave* ² (%)		100	92.8	96.4	96.2	93.6
Number of reduced working hours program users* ³ (persons)		29	29	32	40	53
Number of telework program users* ⁴ (persons)		15	21	19	19	25

*1 The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

*2 The number of returnees for the fiscal year divided by returnees for the fiscal year plus employees who resigned for childcare leave but have not returned to work

*3 Available for reasons such as childcare and family care; combined figures of employees on programs of the reduced working hours and the four-day work per week


*4 Available for any reasons other than childcare or family care

Work-Life Balance Program Usage (Subsidiary Companies in Japan)

		FY 2015	FY 2016	FY 2017
Number of childcare leave users	Male	1	3	3
	Female	68	110	92
Percentage of childcare leave users* (%)	Male	0.6	5	3
	Female	115.3	102.8	85.2

* The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

Paid Leave Usage Ratio (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Average paid leaves taken (day)	6.1	6.7	6.3	6.9	9.0
Paid Leave Usage Ratio* (%) 	31.6	35.2	32.8	35.9	47.4

* Paid leave entitlements are issued each year in January, therefore the table shows figures as of December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

Paid Leave Usage Ratio (Domestic Subsidiary Companies)

	FY 2015	FY 2016	FY 2017
Average paid leaves taken (day)	7.1	7.3	7.6
Paid Leave Usage Ratio* (%)	39.7	40.0	43.9

* Paid leave entitlements are issued each year in January, therefore the table shows figures as of December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

Occupational Injuries (Non-Consolidated)*¹

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Number of occupational injuries (incidents)* ²	6	1	0	3	0
Lost-time injury frequency rate* ³	0.28	0.19	0.19	0.30	0.10
Work-related illness frequency rate	0	0	0	0	0

*1 0 work-related accidents resulting in death occurred during the reporting years shown.

*2 The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

*3 Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000

Occupational Injuries (Subsidiary Companies in Japan)

	FY 2015	FY 2016	FY 2017
Number of occupational injuries*	10	8	5

* The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

Labor Union Membership (Non-Consolidated)*

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Labor union membership rate (%)	100	100	100	100	100

* As of April 1, 2018, the number of eligible employees is 3,574. The scope of eligibility for labor union membership is stipulated in the labor agreement.

Environmental Report

Environmental Management

Responding to Climate Change

Responding to Waste and Pollution

Biodiversity Conservation

Efficient Use of Water Resources

Environmental Related Data

Environmental Management

Environmental Management of the Sumitomo Forestry Group

The Sumitomo Forestry Group outlines contributions to the realization of a sustainable society in its Corporate Philosophy. The Group established its Environmental Philosophy in December 1994 and Group-wide Environmental Policies in October 2000.

We also formulated the Mid-Term Environmental Management Plan (FY2010-FY2014) with Mid-term environmental targets for the first time in fiscal 2009 and established the Mid-Term CSR Management Plan (FY2015-FY2020) that includes environmental targets in fiscal 2014. The plan is incorporated into CSR budgets as numerical targets for each fiscal year and environmental activities are steadily enhanced through implementation of the PDCA (plan-do-check-act) cycle at each organization.

Since July 2015, the Group has initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policies, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group's Biodiversity Action Guidelines. This Environmental Policy applies to the product life cycle and all business processes from product development, design and manufacturing to material procurement, distribution, waste management and services in all businesses of the Sumitomo Forestry Group to promote businesses that help contributed to a sustainable society. To share and raise awareness of the Environmental Policies among Group employees, they were printed in employee handbooks. Opportunities to read through and discuss them were also arranged, for example as part of new employee training, ISO 14001 internal environmental auditor training courses and departmental meetings.

Furthermore, the Sumitomo Forestry Group Code of Conduct established in July 2017 not only encompasses Group companies but everyone in the supply chain. The Code of Conduct drives coexistence with the environment and clarifies the approach to advance efforts toward the environment, including all of the business partners of Sumitomo Forestry Group.

Sumitomo Forestry Group Environmental Policy

Through our experience nurturing forests since our founding, Sumitomo Forestry Group has learned to appreciate the wonders of wood and the importance of nature. As a corporate entity with a close affinity to nature, we will pursue business activities that balance both environmental and economic interests and contribute to a sustainable society.

1. Develop business operations centered on wood and forests

We will cultivate forests and their ability to preserve and enhance the rich ecosystem to protect biodiversity, actively utilize timber resources and create new corporate value.

2. Develop and offer environmentally conscious products and services

We will develop and sell products and services that are environmentally conscious throughout the entire product lifecycle.

3. Minimize and improve environmental impact

To minimize and improve environmental impact, we will employ procurement practices that prevent environmental pollution and climate change and promote the effective utilization of natural resources.

4. Ensure strict legal compliance

We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.

5. Make continual improvements to our environmental management system

We will accurately assess environment-related risks associated with our business activities and with a mid-to-long-term outlook, set and work to fulfill yearly environment goals. In addition, we will regularly evaluate our environmental management system and make continual improvements.

6. Promote environmental education

We will provide environmental education for all parties involved in Sumitomo Forestry Group's business operations and encourage voluntary environmental efforts.

7. Pursue active communication

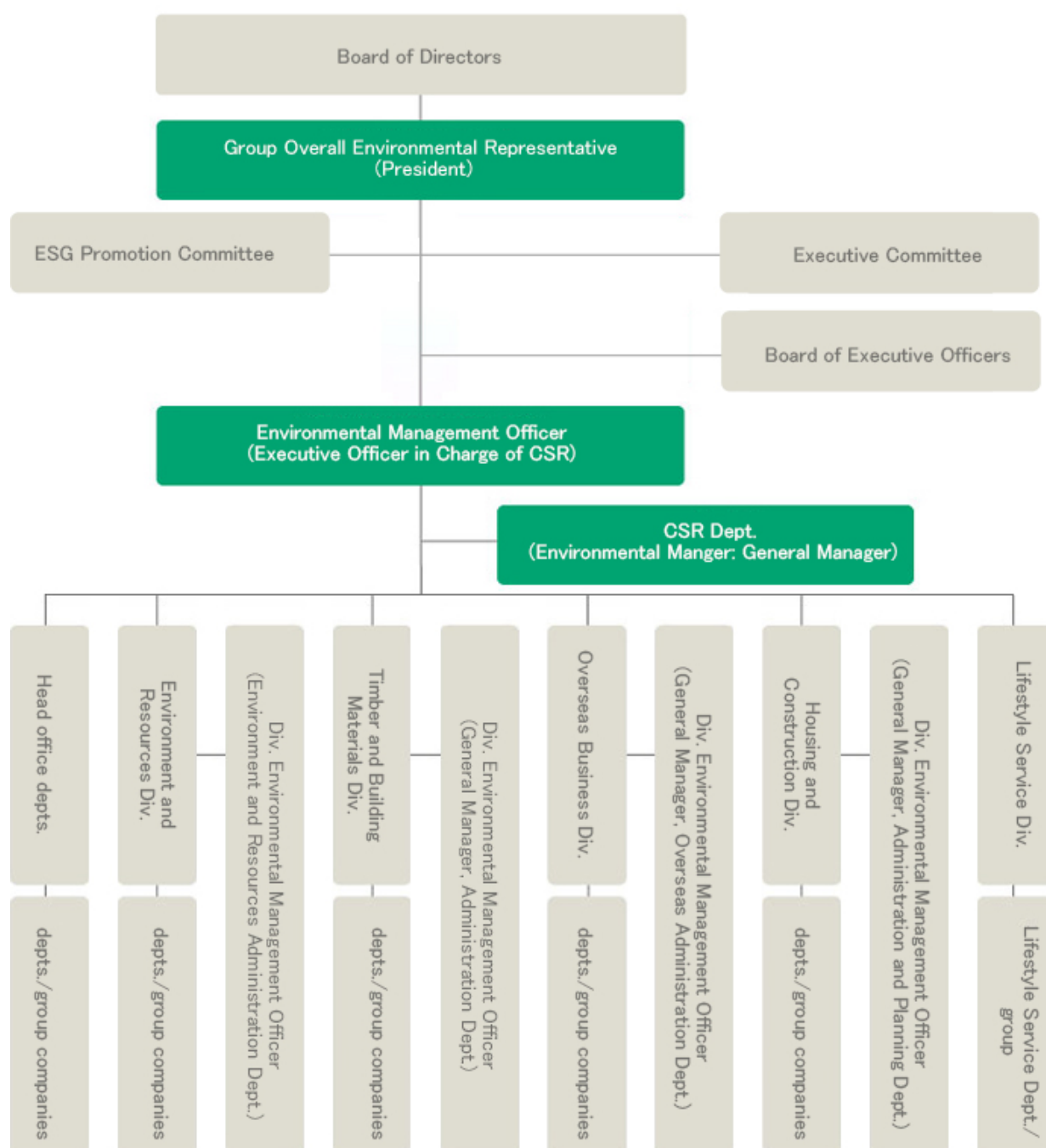
We will actively disclose information about our environmental policies and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

Environmental Management Structure

Environmental Management Structure

To ensure that management is practiced in accordance with the Environmental Policies, whose objective is to contribute to the creation of a sustainable society, the Sumitomo Forestry Group has established an environmental management structure with the President of Sumitomo Forestry assuming overall responsibility.

Beneath the President are the Executive Officer in Charge of CSR and the General Manager of the CSR Department. Regular checks on the progress of environmental activities advanced by divisions and departments within the Group and related issues are conducted against the “CSR budget,” which sets forth numerical targets for each fiscal year, to raise the effectiveness of those activities.



Roles of Environmental Management Personnel

- Group Environmental Management Officer: Executive Officer in Charge of CSR
- Group Environmental Manager: General Manager, CSR Dept.
- Group Environmental Manager: Manager, CSR Dept.
- Division Environmental Management Officers: General Manager, Administration Dept. (Timber and Building Materials Div.); General Manager, Administration and Planning Dept. (Housing and Construction Div.); General Manager, Overseas Administration Dept. (Overseas Housing and Real Estate Div.); Management and Administration Department (Environment and Resources Div.)
- Department Environmental Managers: General managers, presidents of group company, etc.
- Environmental activity personnel: Environmental promotion personnel

ISO 14001 Certification

Sumitomo Forestry introduced an environmental management system in fiscal 1995 and acquired ISO 14001 certification for its housing operations in fiscal 1997 ahead of other players in the housing industry. Certification was subsequently acquired for other operations with all departments and divisions in the Company achieving integrated ISO 14001 certification in fiscal 2002.

The scope of certified Group companies has been extended to businesses that have a large influence on the environment, and today the Group has five certified companies in Japan. Progress is also being made on certification of overseas Group companies, focused on manufacturing companies, with six companies already certified.

As of April 2018, the certification rate of consolidated organizations was 85.2% (based on sales).

ISO 14001 Certification
Rate
(Based on Sales)

85.2%

Sumitomo Forestry Group ISO 14001 Certification

Company Name		Date acquired
Expanded Certification at Group Companies in Japan	Sumitomo Forestry Co., Ltd. (excl. overseas operations)	August 2002 ^{*1}
	Sumitomo Forestry Landscaping Co., Ltd.	November 2002 ^{*2}
	Sumitomo Forestry Crest Co., Ltd.	September 2003 ^{*2}
	Sumitomo Forestry Home Tech Co., Ltd.	March 2013 ^{*2}
	Japan Bio Energy Co., Ltd.	August 2014 ^{*2}
	Sumirin Agro-Products Co., Ltd. (Current: Sumitomo Forestry Landscaping Co., Ltd.)	August 2017 ^{*2}
PT. Kutai Timber Indonesia (KTI)		July 2001
Nelson Pine Industries Ltd. (NPIL)		July 2003
PT. Rimba Partikel Indonesia (RPI)		October 2005
PT. AST Indonesia (ASTI)		January 2007
Vina Eco Board Co., Ltd. (VECO)		March 2014
Pan Asia Packing (PAP)		April 2017

^{*1} Certification was acquired by individual departments and divisions from 1997 before integrated ISO 14001 certification was acquired for the entire company.

^{*2} Acquired by inclusion in Sumitomo Forestry's integrated certification

Audits by External Certification Bodies

Companies covered by the integrated ISO 14001 certification in Japan undergo routine reviews conducted once a year by certification body JIC Quality Assurance Ltd. In fiscal 2017, Sumirin Agro-Products Co., Ltd. (current: Sumitomo Forestry Landscaping Co., Ltd.) as well as 36 departments at 6 other companies underwent a review to upgrade to the ISO 14001:2015 (JISQ 14001:2015) as well as a monitoring assessment.

As a result of these reviews, all of the entities were approved for registration on August 10, 2017 after examining 43 points of advice for improvement without any incompatibilities.

In addition to examining methods of improvement and taking action for each of the observation items, notices were issued by the CSR Department to share information on any issues common to the Group companies, and internal environmental audits were conducted to check the implementation of preventive measures.

The ISO 14001 certifications acquired by manufacturing plants overseas have advanced efforts to transition to the new standards just as the plants in Japan. The migration to the new standards was completed on April 26, 2018.

Internal Environmental Audits

In addition to reviews conducted by external certification bodies, companies covered by the integrated ISO 14001 certification periodically carry out internal environmental audits. These audits are implemented by employees who have passed an exam upon completion of an in-house training course to become internal environmental auditors.

Two courses of internal auditor development training are being held; one course for the Company-certified auditors based on old standards and another course based on new standards were offered following the amendments of the international standards in September 2015. In particular, requiring these courses be taken and passed by all general managers within the scope of the registration enhances understanding about the revisions to these standards and strengthens leadership. As a result, the number of employees certified as internal environmental auditors of ISO14001:2015 has reach a cumulative total of 887 (as of the end of fiscal 2017).

Internal environmental audits have been conducted in 110 departments between October 13, 2017 and January 23, 2018. Over the three years since the revisions, the Sumitomo Forestry Group has completed rounds of migration audits for departments which had been planned for registration in Japan this fiscal year. When irregularities due to the amendments were found and or improvement was suggested, the audited departments took corrective actions and subsequently submitted the action reports to the audit department. Audit results were reported to management by the General Manager of the CSR Department and a review was conducted.

Compliance and Violations of Environmental Laws

There were no significant violations* of any, environment-related laws or ordinances in the past five years.

* Violation with a penalty or punishment of one million yen or more

In the last five years

0

Environmental Risk Management

Environmental Risk Countermeasures

The Sumitomo Forestry Group is striving to reduce and to prevent the manifestation of the risks and impact which business activities have upon the global environment and society such as the disposal of industrial waste, soil and water pollution caused by toxic substances, noise and vibration.

In fiscal 2017, there were no significant violations of any environment-related laws or ordinances.

Processing of Industrial Waste

Construction-related waste makes up the highest percentage of industrial waste that is illegally dumped in Japan. Viewing the environmental risks presented by the processing of industrial waste as one of the biggest in terms of the potential impact on society and business, the Sumitomo Forestry Group works to ensure that industrial waste is disposed of appropriately.

Specifically, to comply with the Waste Management and Public Cleansing Act and other related laws and regulations, the Group has established a set of industrial waste management regulations covering appropriate disposal, reduction, recycling and reuse of industrial, as well as manufacturing regulations stipulating standards essential for production activities. In keeping with these regulations, voluntary audits of waste manifests and terms of outsourcing agreements with waste processors are carried out twice a year for each Group company office in Japan emitting industrial waste. If an audit concludes that corrective action is required, appropriate action is taken and it is subsequently confirmed through reports submitted in line with the industrial waste management system that waste is being properly treated.

In addition, industrial waste managers at each office conduct site checks of contractors' waste treatment plants at least once a year. In fiscal 2017, managers from the Housing and Construction Division conducted approximately 620 on-site checks at roughly 510 waste treatment plants run by 320 waste treatment contractors. Divisions other than the Housing and Construction Division as well as offices of Group companies are being instructed to continue using waste treatment plants which the Housing Division has already inspected.

To be able to determine whether industrial waste is being processed in an appropriate manner, the Group asks waste treatment contractors to employ electronic manifests. All branches of the Housing and Construction Division as well as all contractors accepting industrial waste from new housing construction sites have already introduced electronic manifests. In fiscal 2017, 99% of all manifests, including those for housing demolition waste, were electronic.

In conjunction with this, training is also provided for employees who coordinate the processing of industrial waste. In fiscal 2017, a total of 123 people participated in the training, including newly appointed personnel in charge of industrial waste processing at Group companies in Japan. Moreover, training was conducted in the same way for building contractors, demolition contractors and industrial waste disposal operators.

► Promotion of Waste Reduction and Recycling

Soil Contamination

Soil contamination is difficult to discover as contaminants build up and spread underground out of sight. The Sumitomo Forestry Group implements soil contamination countermeasures for land owned or administered by the Group and conducts voluntary soil contamination studies prior to new land purchases in the condominiums business.

Water Pollution

Water pollution creates the risks of human health being directly affected by contamination of drinking water and of contamination affecting the habitats of organisms living in rivers, lakes and seas. Inspections entrusted to external measurement agencies are conducted twice a month and daily water quality tests are done for the waste water expelled from waste water processing facilities in the Sumitomo Forestry Crest Co., Ltd. Imari Plant (former Kyushu No.2), which is a specified office under the amended Water Pollution Control Act of Japan, and the inspection results are issued to the local municipals every six months.

In particular, the frequency of water quality test at our company has transitioned from twice a week to daily as a way to grasp the changes quickly and respond because the reference values in the Agreement of Pollution Control were exceeded due to limitations (dilution) for rapid changes of Chemical Oxygen Demand (COD) values following the contamination of waste water with high COD values in the water samplings and inspections done by the city in January 2016.

Water is also sampled and inspected by the prefecture once a year and by the city three times a year. Through this measure, all inspections found the level of water pollution to be within the statutory limit for wastewater.

In addition, the Tsukuba Research Institute is considered a specified office under the amended Water Pollution Control Act of Japan and therefore, delivers notification of updates to some testing equipment and new installations according to this law. The Institute also conducts water quality inspections once every month through an external measurement agency to monitor those results and issue reports to Tsukuba City once every six months.

► [Management of Hazardous Chemical Substances and Appropriate Disposal](#)

Contamination by Hazardous Chemicals

Contamination caused by hazardous chemicals leads to risks of a major impact on human health or the environment and the risk of a disaster. The Sumitomo Forestry Group keeps track of amounts of hazardous chemicals including volatile organic compounds (VOCs) used and discharged as part of appropriate management, meanwhile making an effort to reduce the use of these chemicals.

The Group also takes appropriate action in response to the Air Pollution Control Act. Sumitomo Forestry Crest's Niihama Plant equipped with boilers and Kagoshima and Shizuoka plants equipped with incinerator make regular measurements of emission volumes and concentrations of NOx, SOx and soot and dust, and dioxins, respectively, and monitor that these figures are maintained below the statutory limits.

► [Management of Hazardous Chemical Substances and Appropriate Disposal](#)

Noise and Vibrations

Sumitomo Forestry makes an effort to prevent noise and vibrations during housing construction. When complaints about noise or vibrations are received, the circumstances are recorded and the information is shared with the rest of Group to prevent the occurrence of similar incidents.

Sumitomo Forestry Crest confirms that noise levels within the site boundaries of plants are below the statutory limit by taking regular measurements.

No complaints about noise or vibrations having a major impact on the environment were received from local residents during fiscal 2017.

Global Warming (Addressing the Amended CFC Act)

In April 2015, the Fluorocarbons Recovery and Destruction Law came into force for the purpose of promoting drastic measures over the entire lifecycle of chlorofluorocarbons that have a strong greenhouse effect, from manufacture to disposal.

In most cases, the Sumitomo Forestry Group leases its offices in buildings, and since the Group is primarily engaged in the construction and sale of housing and the manufacture and distribution of processed wood products, it does not own (or manage) that much commercial refrigeration and air conditioning equipment (air-conditioners, refrigerators, etc.). However, in response to the enactment of this law, we are conducting periodic simple inspections of the same equipment that is using fluorocarbons as a coolant as well as executing legal and periodic inspections for devices with compressors that have 7.5kW or higher rated output.

Understanding Environmental Risks

The Sumitomo Forestry Group is aware of the risk upon our business activities from environmental changes such as climate change or reduced biodiversity and works to gather related information, analyze this information as necessary as a way to evaluate business risks. Furthermore, we also determined specific measures as evaluation metrics in each department for risk with the potential to arise in daily operations and report on the progress of those measures to the Risk Management Committee each quarter while the ESG Promotion Committee formulates measures for risk with the potential to arise in the medium to long term.

Risks Related to Climate Change

Natural Disasters

Damage from a major earthquake, windstorm, flood or other natural disaster could result in significant costs arising from restoring operations at facilities, verifying the safety of delivered housing products, delays in the completion and handover of contracted properties, or other events. Such costs could influence the Group's operating results and financial position.

Setting Carbon Pricing Such as Mandatory Emission Reductions

As the move towards reduction of greenhouse gases takes shape globally, there is the possibility that reduction obligations will be imposed upon businesses in countries where the Sumitomo Forestry Group has bases. If Group companies with bases in these countries are unable to meet reduction obligations, they will be required to purchase emission credits, creating the risk of increased business costs.

In Japan too, future changes in new international frameworks could result in adjustments to domestic systems for carbon pricing that includes emission credits, which could influence business activities and costs.

Environmental Adaptation of Products and Services

With the revision of Japan's energy efficiency standards in fiscal 2013 (from fiscal 2020, houses will be required to comply with energy efficiency standards), it is expected that demand will grow for Net Zero Energy Houses (ZEH) and life cycle carbon minus (LCCM) housing able to reduce CO₂ emissions to less than zero. If the Sumitomo Forestry Group does not respond swiftly, we risk losing market share. There is also a risk that, if significant climate change occurs, we will be expected to change housing specifications or provide after service to adapt to these changes.

Changes to Suppliers and the Impact upon Operation of Company-owned Forests

Because Sumitomo Forestry positions timber as its principal material and product, the risk exists of having to change suppliers in the event of limitations being imposed due to the depletion of timber resources or changes to habitats resulting from climate change. Climate changes, including average temperature or annual rainfall, damage due to storm or flood, and ecosystem changes also pose risks to company-owned forests by impacting upon forest preservation, tree growth and upon vegetation.

Energy Supply Shortages

In countries like New Zealand, where hydroelectric power is used, there is a risk that a change in the amount of rainfall will cause dam levels to fall and lead to a disruption of supply from hydroelectric power stations, forcing Sumitomo Forestry Group sites in those countries to suspend plant operations.

Impact upon Fund Procurement

Financial institutions and similar organizations are making the implementation of environmental assessments and climate change initiatives a condition of lending. Corporate credit rating agencies and investors, too, are adopting increasingly detailed assessment criteria for credit rating and ESG investment, including climate change initiatives as an assessment category. These growing trends may potentially affect funds procurement.

Risks Related to Biodiversity Change

Changes in Timber Quality and Volume

The Sumitomo Forestry Group is among the top Japanese procurers of forest timber by volume. Trees represent the blessing of biodiversity which, if lost, poses a risk to the foundation of our business. Furthermore, should the quality or volume change, the required response may lead to significant cost increases.

Strengthening of Related Laws and Regulations

The establishment and strengthening of laws and regulations for preventing loss of biodiversity continues. Anticipated risks include effects on operation of Company-owned forests, having to adapt timber procurement in terms of regions, tree species and volume, and having to adapt housing construction business in terms of regions, scale and greening. Should the Group fail to deal with the associated laws and regulations, compliance risks will emerge.

Corporate Image Deterioration

Any mistake in addressing biodiversity may be detrimental to the corporate image, directly affecting sales and other performance indicators.

Impact upon Fund Procurement

Financial institutions and similar organizations are making the implementation of environmental assessments and biodiversity initiatives a condition of lending. Corporate credit rating agencies and investors, too, are adopting increasingly detailed assessment criteria for credit rating and ESG investment, including biodiversity initiatives as an assessment category. These growing trends may potentially affect funds procurement.

Risks Associated with Illegal Logging

Strengthening of Related Laws and Regulations

Illegal logging of forests is recognized as a crucial issue globally, and progress is being made to strengthen related laws and regulations in a number of countries and regions. If the Sumitomo Forestry Group does not respond appropriately to such laws and regulations in its harvesting and procurement, there is the potential of compliance risk arising or indemnity being incurred.

Corporate Image Deterioration

Should the Sumitomo Forestry Group deal in illegally logged timber due to a neglect to exercise the appropriate duty of care, there is the potential of damage to our corporate image which could have a direct impact upon sales and other business results.

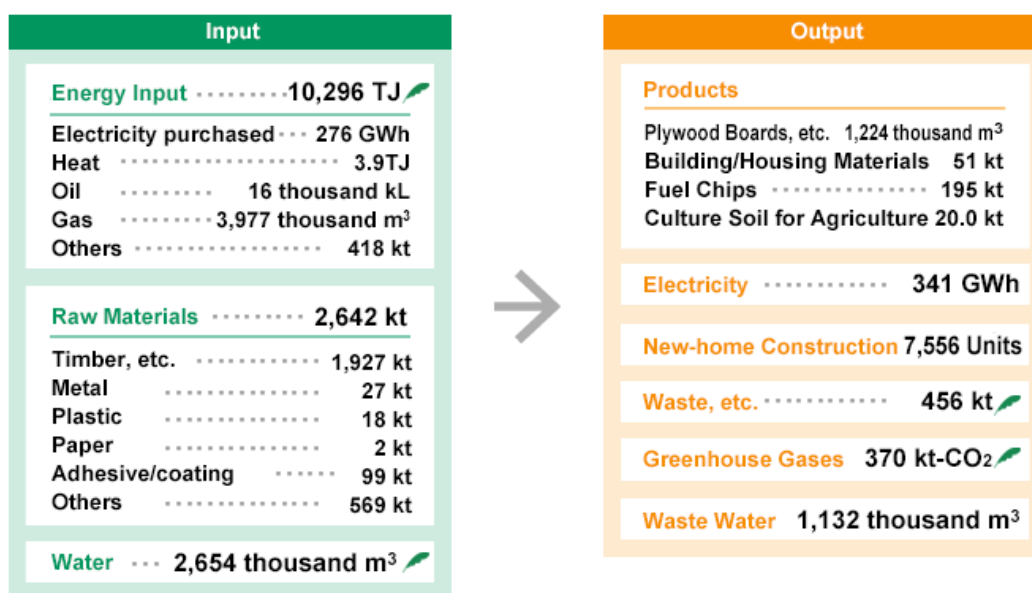
Responding to Climate Change

Environmental Impact of Business Activities

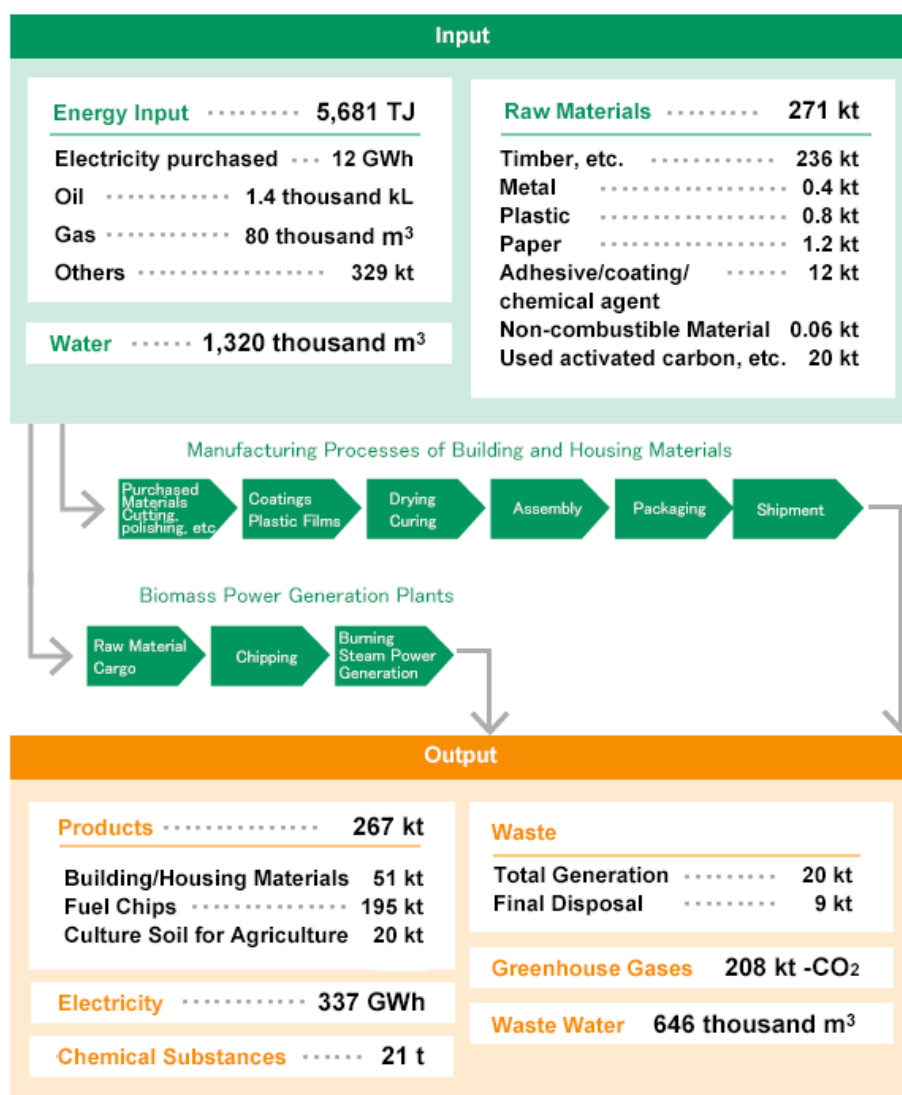
Balance of Input & Output

The Sumitomo Forestry Group accurately understands how its business activities impact the environment and make evaluations and manage them in its environmental management. As such, data on environmental impact is collected at each stage from energy and raw material input to manufacturing and disposal per plant and business to utilize them for reduction initiatives.

Balance of Input & Output of the Sumitomo Forestry Group

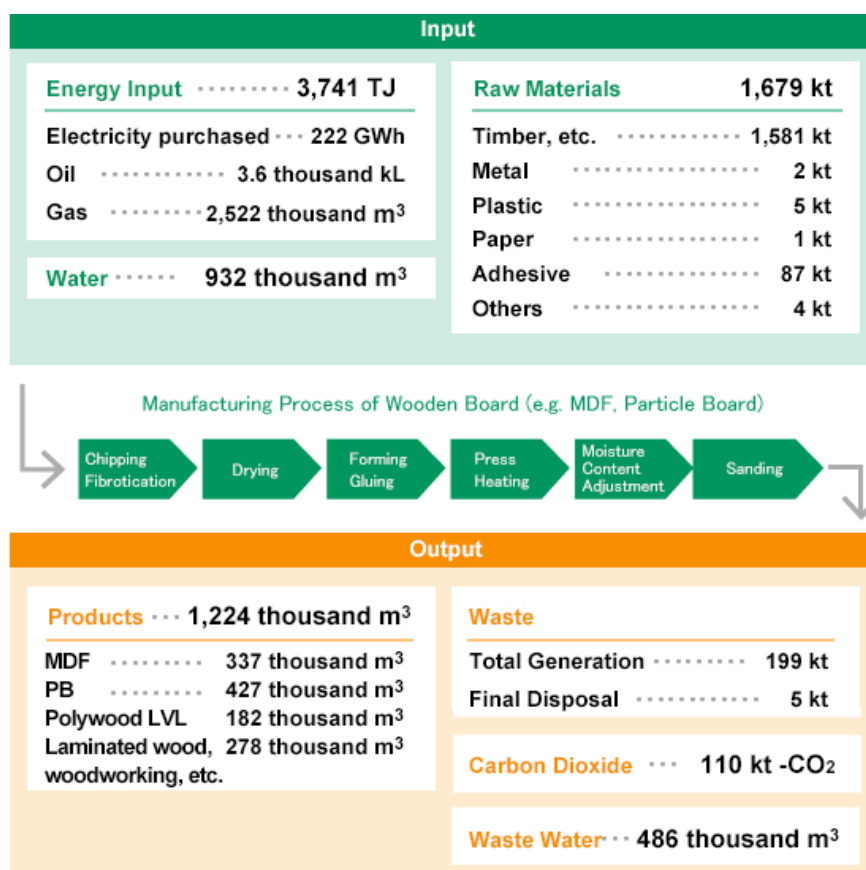


Balance of Input & Output of Manufacturing and Power Generation Plants in Japan^{*}



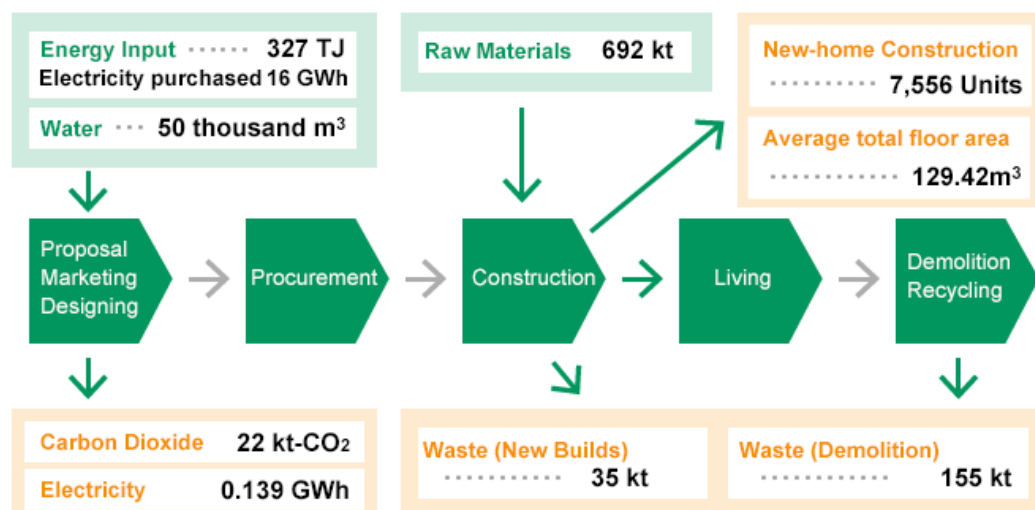
^{*} Boundary: Tsukuba Research Institute, Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Shizuoka Plant, Niihama Plant, Imari Plant), Mombetsu Biomass Electric Power Co., Ltd., Japan Bio Energy Co., Ltd., Okhotsk Bio Energy Co., Ltd. and Sumirin Agro-Products Co., Ltd. (Current: Sumitomo Forestry Landscaping Co., Ltd.)

Material Balance of Overseas Plants^{*}



^{*} Boundary: PT. Kutai Timber Indonesia (KTI), PT. Rimba Partikel Indonesia (RPI), PT. Sinar Rimba Pasifik (SRP; Indonesia), PT. AST Indonesia (ASTI), Nelson Pine Industries Ltd. (NPIL; New Zealand), Vina Eco Board Co., Ltd. (VECO; Vietnam) and Canyon Creek Cabinet Company (CCC; America)

Flow and Material Balance of Domestic Housing-Related Business^{*}



^{*} *Boundary: Sumitomo Forestry Housing and Construction Division, Sumitomo Forestry Archi Techno Co., Ltd. (Design), Sumitomo Forestry Home Engineering Co., Ltd. (Execution), Sumitomo Forestry Home Tech Co., Ltd. (Renovations), and Sumitomo Forestry Landscaping Co., Ltd. (Garden Landscaping/Greening)

- ▶ [About symbol for Independent assurance](#)
- ▶ [Boundaries and Methods of Data Calculation](#)

Boundaries and Method of Data Aggregation (Balance of Input & Output)

Boundaries (Organizational Range)

Indication Classification		Boundary
All Business Activities		All Sumitomo Forestry Group Companies
By Business Activity	Domestic Plants and Power Generation Business	Sumitomo Forestry Crest Co., Ltd. [Kashima Plant, Shizuoka Plant, Niihama Plant, Imari Plant], Sumirin Agro-Products Co., Ltd. [Shinshiro Plant, Tobishima Plant], Japan Bio Energy Co., Ltd., Okhotsk Bio Energy Co., Ltd., Tsukuba Research Institute, and Mombetsu Biomass Electric Power Co., Ltd.
	Overseas Plants	PT.Rimba Partikel Indonesia, Alpine MDF Industries Pty Ltd., PT. AST Indonesia, PT. Kutai Timber Indonesia, Nelson Pine Industries Ltd. and Vina Eco Board Co., Ltd.
	Domestic Housing-Related Business	Sumitomo Forestry [Housing Division], Sumitomo Forestry Home Tech Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd. and Sumitomo Forestry Archi Techno Co., Ltd.
	Offices and other sites	Sumitomo Forestry and Group companies other than the above

► [All Sumitomo Forestry Group Companies](#)

Prerequisites

Indication Classification	Prerequisites	
Domestic Plants and Power Generation Business	Energy/CO ₂	Energy use and CO ₂ emissions at each plant
	Raw materials	Raw materials used as building materials, potting mix, etc.
	Water	Water use in production such as building materials and potting mix, etc.
	Waste	Waste in production such as building materials and potting mix, etc.
Overseas Plants	Energy/CO ₂	Energy use and CO ₂ emissions at each plant
	Raw materials	Raw materials used as timber products, etc.
	Water	Water use in production such as timber products, etc.
	Waste	Waste in production such as timber products, etc.
Domestic Housing-Related Business	Energy/CO ₂	Energy use and CO ₂ emissions for business sites (including exhibition sites) related to the housing business
	Raw materials	Materials invested in housing construction
	Water	Water use at business sites related to the housing business
	Waste	Waste emitted from housing construction (including renovations) and demolition
Offices and other sites	Energy/CO ₂	Energy use and CO ₂ emissions at Sumitomo Forestry and other business sites of Group companies not related to domestic or overseas manufacturing or design, construction and sales of houses
	Water	Water use at Sumitomo Forestry and other business sites of Group companies not related to domestic or overseas manufacturing or design, construction and sales of houses
	Waste	Waste at Sumitomo Forestry and other business sites of Group companies not related to domestic or overseas manufacturing or design, construction and sales of houses

Aggregation Method

CO₂: Refer to the pages below

► [Boundaries and Methods of CO₂ Emissions Calculation](#)

Waste: Calculating Emissions with Data Collected from Manifests

Boundaries and Methods of CO₂ Emissions Calculation

Boundary of CO₂ Emissions (Organizational Range)

The amount of CO₂ emissions published in this report is an aggregation for companies throughout the Group, including all consolidated subsidiaries in and outside of Japan unless otherwise noted.

Furthermore, the boundaries of calculating CO₂ emissions by scope are as shown below.

- Scope 1, 2 and 3

All Group companies, including consolidated subsidiaries in and outside of Japan

* For scope 3, the boundary was expanded to include the entire Sumito Forestry Group in fiscal 2017 from only Japan

* Newly acquired Wisdom Group and Edge Homes Group, and newly established Tasman Pine Forests Ltd. are included in the boundary, while Alpine is excluded as all owned shares were sold

▶ [List of Applicable Companies](#)

Scope 1 CO₂ Emissions

The CO₂ emissions both inside and outside of Japan are calculated by using heat conversion, carbon dioxide emission coefficients stipulated in the Act on Promotion of Global Warming Countermeasures, and average value of emission coefficient measured at the biomass power plant.

Wood waste used for energy in manufacturing plants is included in the heat conversion calculation for input energy since fiscal 2017.

Scope 2 CO₂ Emissions

The CO₂ emissions caused by use of purchased electricity in Japan are calculated by the carbon dioxide emission coefficient for each power provider in each fiscal year stipulated in the Act on Promotion of Global Warming Countermeasures.

The CO₂ emissions due to the use of purchased heat are calculated by the CO₂ emission coefficient stipulated in the Act on Promotion of Global Warming Countermeasures.

The CO₂ emissions for fiscal 2017 due to the use of purchased electricity overseas is calculated by the CO₂ coefficient below for each country.

- Australia: 0.755kgCO₂/kWh
- America: 0.456kgCO₂/kWh
- China: 0.657kgCO₂/kWh
- India: 0.771 kgCO₂/kWh
- Indonesia: 0.733kgCO₂/kWh
- Vietnam: 0.380kgCO₂/kWh
- New Zealand: 0.124kgCO₂/kWh
- Singapore: 0.435kgCO₂/kWh
- Malaysia: 0.687kgCO₂/kWh
- Thailand: 0.511kgCO₂/kWh

Scope 3 CO₂ Emissions

Category 1. Purchased goods and services

(Portion of outside contracts during construction of wooden detached houses)

Σ (energy use during on-site construction per home \times CO₂ emissions coefficient by energy) \times Portion of outside contracts used in houses completed in the current fiscal year

(Purchased products)

Σ (Amount of procured product or sales \times Emissions per weight or per price)

Overseas companies handling timber and building materials: Sales per unit of housing in Japan is calculated and multiplied to the sales of each overseas company.

Domestic companies handling timber and building materials: Sales per unit of timber and building materials in the Timber & Building Materials Business is calculated and multiplied to the sales of each affiliate company.

Category 2. Capital goods

Σ (Capital goods procurement value by all Group companies \times Per unit emissions by industrial division)

Category 3. Fuel- and energy-related activities (not included in scope 1 or scope 2)

(Procurement)

Σ (Energy and water use \times Per unit emissions of energy)

(Transport from retailers)

* The target of calculations is the use on operational sites such as plants

Σ (Energy use (weight conversion) \times Estimated transport distance \times Per unit use of fuel in ton-kilometers \times CO₂ emissions coefficient)

* Calculation based on transportation scenario

Category 4. Upstream transportation and distribution

(Transport in Japan)

Σ (Amount procured by each plant \times Estimated transport distance \times Per unit use of fuel in ton-kilometers \times CO₂ emissions coefficient)

CO₂ emissions related to owner shipments (value to report based on the energy saving law; however, this excludes waste transport)

* Waste transport is included in Category 5

(Transport by sea)

Σ (Amount of import products procured \times Distance to transport by sea from the country of procurement \times Per unit emissions of ship transport)

Category 5. Waste generated in operations

Σ (Amount of emissions by type of waste \times Per unit emissions by the type of waste or processing method)

Category 6. Business travel

Number of employees of all Group companies \times Per unit emissions during business trips

Category 7. Employee commuting

(Type of transportation: Train/bus)

Number of employees of all Group companies × Per unit emissions during commute

* Per unit emissions during commute: Calculated from the emissions during commute for the past three years (2013, 2014, 2015) of Group companies in Japan

(Type of transportation: Automobile)

Number of employees of all Group companies × Per unit emissions during commute by automobiles

* Per unit emissions during commute: Calculated by dividing the costs of commuting by automobiles by average unit price of gasoline of that fiscal year, and then multiplying the emission coefficient of burning gasoline

* Emissions during commute using employee-owned vehicles is included in Scope 1

Category 9. Downstream transportation and distribution

(Wood yard pick up such as the plywood or fiberboard that is sold)

Σ (Sales volume × Estimated transport distance × Per unit fuel use in ton-kilometer × CO₂ emissions coefficient)

* Calculation based on transport scenario

Category 10. Processing of sold products

(Plywood work and Precut factories)

Σ (Sales volume of crude wood and processed materials × Per unit emissions during processing)

* Per unit is based on the LCA procurement implemented in the past by the company

Category 11. Use of sold products

(CO₂ emissions during habitability)

Σ (Annual energy use per household × CO₂ emissions coefficient by energy) × Number of households × Number of houses completed by construction method for fiscal 2017

* Emissions related to renovations are omitted because there is a possibility to count a portion of Scope 1 and Scope 2 emissions twice for affiliate companies engaged in the renovations business (Sumitomo Forestry Home Tech Co., Ltd.)

* Energy use per household (electricity/city gas)

In Japan : Calculated by using the Building Research Institute's energy consumption performance calculator program
Overseas: Average of dividing amount of fuel and electricity used per state released by the government by number of households

Category 12. End-of-life treatment of sold products

(CO₂ emissions during demolition)

Σ (Fuel use during demolition per household \times CO₂ emissions coefficient by fuel) \times Number of houses completed for the current fiscal year

* Fuel use during demolition per household (diesel/gasoline):

Estimated based on sample surveys related to the fuel use in model house demolition conducted by Sumitomo Forestry in 2006

(CO₂ emissions during disposal (including transport))

Σ (Amount of waste during demolition per household \times Per unit emissions by volume reduction rate , disposal rate , recycling rate for each type of waste \times Per unit emissions by type of waste or processing method) \times Number of houses completed in the current fiscal year

* Amount of waste during demolition per household:

The amount of waste produced during demolition annually by Sumitomo Forestry Group for fiscal 2016 is calculated by converting the equivalent building weight of the standard plan (floor area:147m²) of Sumitomo Forestry for fiscal 2010

Category 15. Investments

Σ (Scope 1 and 2 emissions from companies the Group invests \times Equity interest of Sumitomo Forestry Group)

* Scope 1 and 2 emissions are the public values from the company the Group invests or the values released in the Act on Promotion of Global Warming Countermeasures

Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

Establishment and Certification of Science Based Targets (SBT)

As the impact of climate change becomes more apparent globally, companies are being asked to reduce their emissions of greenhouse gases as a measure to counter global warming. The Sumitomo Forestry Group has announced the formulation of SBT and set new greenhouse gases reduction target for the entire Group in June 2017 and was certified as SBT in July 2018. Sumitomo Forestry Group's new SBT is as follows:



1. Scope 1 and 2: 21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.
2. Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.

Sumitomo Forestry Group will further strengthen its energy-saving activities, promote use of renewable energy, and other initiatives to reduce greenhouse gas emissions and mitigate climate change based on the SBT.

* The SBTi was established in 2015 as a collaboration of four organizations - CDP (formerly the Carbon Disclosure Project), the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi defines and promotes best practice in science-based target setting, to help companies determine a pathway for reducing their emissions in line with what is required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures. In Japan, the Ministry of the Environment has translated this in Japanese as "Corporate 2°C Target" and is supporting company efforts.

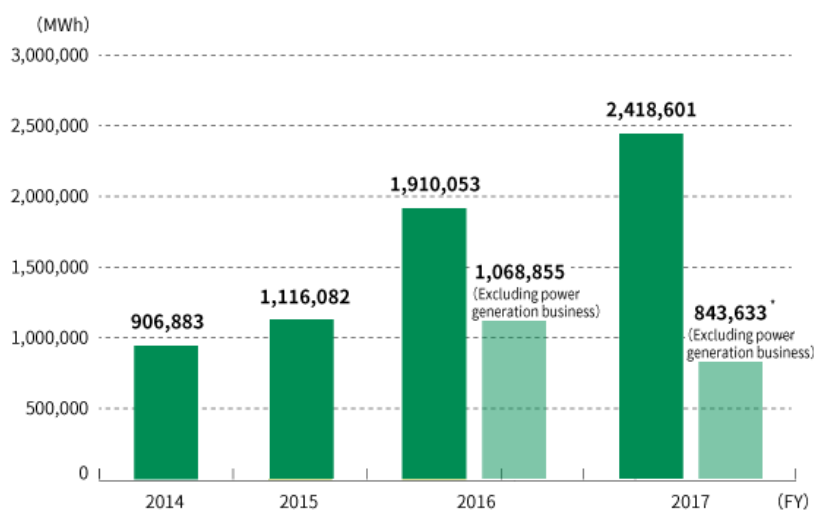
Energy Consumption from Business Activities

The Sumitomo Forestry Group consumed 2,418,601 MWh* of energy in fiscal 2017. The energy consumption of the Group increased from fiscal 2016 to 2017 due to the start of trial and full-fledge operations of the Mombetsu Biomass Power Generation and Hachinohe Biomass Power Generation Businesses.

The start of full operations of the Hachinohe Biomass Power Generation Plant in April 2018 prevented significant amount of rise in energy consumption, but this power consumption is forecast to decline from fiscal 2019. The energy consumption in business other than the power generation business has declined due to various energy-saving activities.

* The Balance of Input & Output is calculated according to the TJ unit based on the Environmental Reporting Guidelines issued by the Ministry of the Environment. Both are equivalently calculated for the amount of energy consumption.

Energy Consumption Trends Past Four Years



* Data for Alpine MDF Industries Ltd. has been excluded because the company was sold in March 2017.

Reducing CO₂ Emissions from Offices

At offices, the Sumitomo Forestry Group CO₂ emissions in fiscal 2017 were 31,871t-CO₂, a 2.4% reduction compared to previous fiscal year and 10.1% reduction compared to the base year (fiscal 2013) for the Mid-Term CSR Management Plan.

All business sites of Group companies in Japan are advancing the introduction of fuel-efficient vehicles to make 378 of the 425 company-owned vehicles fuel-efficient vehicles in fiscal 2017 (88.9% adoption rate of fuel-efficient vehicles). In addition, the Group has encouraged employees who drive on the job at offices and business sites of Group companies in Japan to participate in the Eco Training course run by the Japan Automobile Federation (JAF).

The Group has also worked to reduce power consumption. In the Housing and Construction Division, power consumption has been reduced by moving to a “free address” office system (where personnel are not assigned to fixed desks) to make more efficient use of office space. In addition, the division has also proceeded to install solar power generation systems and LED lighting at its model homes and other business sites.

The Group will continue to reduce CO₂ emissions, such as by implementing promotion of eco-drive, to raise awareness among employees.

Mid-Term CSR Management Plan

Reduce total CO₂ emissions from all offices of domestic and overseas consolidated companies by 7% compared to fiscal 2013 by fiscal 2020.

In fiscal 2017, the total amount of CO₂ emissions in the office category dropped by 10.1% to 31,871t-CO₂ compared to fiscal 2013. The Group will start the eco-drive curriculum in addition to ongoing safe-drive training provided by the Housing and Construction Division with the aim to lower gasoline-derived CO₂ emissions towards the following year's target.



Yamaguchi Branch Ube Model Homes (Built-in Solar Panels)

CO₂ Emissions (t-CO₂) from Offices

Fiscal Year	FY 2013 (Baseline)	FY 2016 (Results)	FY 2017 (Results)	FY 2017 (Target)	FY 2018 (Target)	FY 2020 (Target)
Total CO ₂ emissions	35,440t-CO ₂	32,660t-CO ₂	31,871t-CO ₂	32,887t-CO ₂	31,407t-CO ₂	32,959t-CO ₂
Compared to 2013 Percentage Change	-	7.8% reduction	10.1% reduction	7.2% reduction	11.4% reduction	7.0% reduction

► [Mid-Term CSR Management Plan](#)

Reducing CO₂ Emissions Outside Offices

To address CO₂ emissions collectively, the Group set manufacturing plants of Sumitomo Forestry Crest and Sumirin Agro Products (current: Sumitomo Forestry Landscaping), Tsukuba Research Institute, the Metropolitan Area Recycling Center, Fill Care (current: Sumirin Fill Care Co., Ltd.), Kawanokita Development, and Japan Bio Energy as domestic non-office category constituents, as well as overseas manufacturing plants of RPI, ASTI, KTI, VECO, NPIL, SRP, and CCC in addition to OBT, and Canyon Creek as overseas non-office category constituents with their respective reduction targets.

Mid-Term CSR Management Plan

Set company-specific reduction targets for CO₂ emissions; i.e. over 1% average percent per-unit emission reduction between fiscal 2015 to 2020

In fiscal 2017, we advanced reductions by improving production efficiency and operational skills such as at manufacturing plants as applicable departments in Japan. In applicable departments overseas, we worked to put in place measures to reduce CO₂ for plants impacted by factors such as increased equipment due to changes to methods for electrical use (purchased) and the start of new businesses.

Major Non-Office CO₂ Emission Reduction Performance and Targets (Per-unit Emissions)

Company Name	FY 2016 (Results)	FY 2017 (Target)	FY 2017 (Results)	FY 2018 (Target)
Sumirin Agro-Products (Current: Sumitomo Forestry Landscaping)	4.5% reduction	1.7% reduction	4.1% reduction	3.0% increase
Sumirin Agro Products (current: Sumitomo Forestry Landscaping)	54.6% increase	16.9% reduction	0.6% reduction	11.7% reduction
PT. Rimba Partikel Indonesia (RPI)	15.8% increase	10.1% reduction	9.6% reduction	0.5% reduction
PT. AST Indonesia (ASTI)	16.0% increase	8.5% reduction	9.0% increase	4.1% reduction
PT. Kutai Timber Indonesia (KTI)	3.1% increase	0.9% reduction	10.8% reduction	0.8% increase
Nelson Pine Industries Ltd. (NPIL)	0.7% reduction	2.7% increase	5.8% reduction	23.7% increase
Vina Eco Board Co., Ltd. (VECO)	5.4% reduction	7.4% reduction	38.0% increase	23.9% reduction

* Increases and decreases are in reference to respective previous years.

► [Mid-Term CSR Management Plan](#)

Reducing CO₂ Emissions from Transportation

Under the revised Act on the Rational Use of Energy in Japan, consigners^{*1} are required to reduce per-unit energy consumption by an annual average of 1% or more in the medium to long term in relation to the transportation of goods. Sumitomo Forestry and Sumitomo Forestry Crest fall under the category of “specified consigner” (annual freight transportation volume is 30 million ton-km^{*2} or more), obligating them to submit reports to the Japanese Government. Sumitomo Forestry therefore sets a target each fiscal year to reduce per-unit energy consumption^{*3} in transportation by 1% or more compared to the previous year. Sumitomo Forestry Crest also sets targets to reduce per-unit energy consumption compared to the previous year.

In fiscal 2017, Sumitomo Forestry's per-unit energy consumption was 99.6% compared to the previous year and Sumitomo Forestry Crest's was 99.0%.

Ongoing efforts will be made to reduce CO₂ emissions through cooperation with transportation partners on such measures as improving loading efficiency, shifting from land to sea transportation, and utilizing the return leg of construction material deliveries to transport waste.

^{*1} Consigners as defined in the Act on the Rational Use of Energy in Japan is someone who transports cargo to carriers for our businesses

^{*2} Freight transportation volume (ton-kilometers) = freight weight (tons) × distance travelled (km)

^{*3} Sumitomo Forestry measures energy consumption per unit of volume handled. Sumitomo Forestry Crest measures energy consumption per unit of net sales

Energy Consumption From Transportation, CO₂ Emissions and Energy Consumption Per-Unit (FY2017 Performance)

	Energy Use (Crude Oil Equivalent)	CO ₂ Emissions	Energy Consumption Per Unit
Sumitomo Forestry	3,113kL	8,352t-CO ₂	0.00187kL/m ³ (Ratio to Previous FY: 99.6%)
Sumitomo Forestry Crest Co., Ltd.	2,009kL	5,336t-CO ₂	0.0000589kL/1,000 Yen (Ratio to Previous FY: 99.0%)

Establishment of an Efficient Delivery

Sumitomo Forestry is reducing the CO₂ emissions in its transportation processes by bringing together Sumitomo Forestry Home houses from multiple manufactures momentarily at relay centers in 28 locations throughout Japan with a system to consolidate and transport shipments. Home Eco Logistics takes on logistics operations for the Sumitomo Forestry Group with the housing business at the core and also actively puts forward proposals for efficient logistics operations to material manufacturers, housing manufacturers, housing construction companies and building material distributors. In the year to fiscal 2017, we asked six construction material operators for consulting focused on more efficient operations in warehouses as well as rational proposals for inventory management. As of March 2018, Home Eco Logistics provided logistics operations to more than 40 companies. In the future, we will actively strive in cooperative distribution through multiple companies because of insufficient shipment capacity forecast due to a decrease in the amount of new housing construction.

Greenhouse Gas Emissions per Scope Based on the GHG Protocol

Since fiscal 2012, the Sumitomo Forestry Group has ascertained the volume of its CO₂ emissions according to different scopes*¹ based on the GHG Protocol, a set of widely used international accounting tools for quantifying GHG emissions. In view of the increasing demand of renewable energy in recent years, the Sumitomo Forestry Group entered the biomass power generation business in 2011 and has begun operation of Mombetsu Biomass Power Plant in December 2016 as a consolidated subsidiary. This power plant uses coal as supplemental fuel for smooth operation and maintenance while using wood leftover from logging as the primary fuel. Therefore, the total CO₂ emissions in Scope 1 and 2 for fiscal 2017 at the Sumitomo Forestry Group were 369,785t-CO₂e², a 10.0% increase compared to the previous year.

In addition, when looking by business, our plants in Japan and the power generation business make up 56.4% while our plants overseas compose 29.7%. We started to calculate Scope 3 in fiscal 2013 and the targets for this calculation largely expanded in fiscal 2015 and fiscal 2017. In the future, we set targets via SBT*² in an effort to reduce greenhouse gas emissions another level.

*1 The GHG Protocol requires businesses to disclose their greenhouse gas emissions according to the following categories

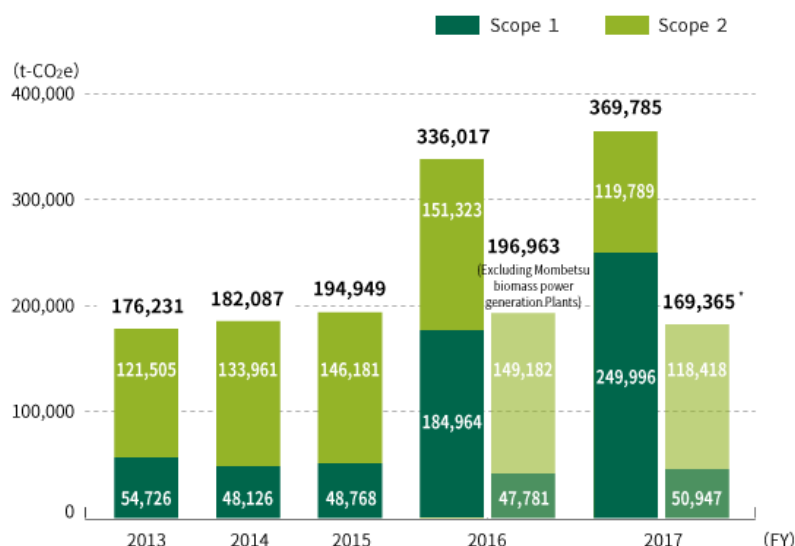
Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption. E.g. CO₂ emissions from the use of gasoline for company vehicles.

Scope 2: Indirect GHG emissions from the generation of purchased electricity and heating. E.g. CO₂ emissions from the use of electricity by offices.

Scope 3: GHG emissions occurring in the supply chain. E.g. CO₂ emissions generated during the use of products sold.

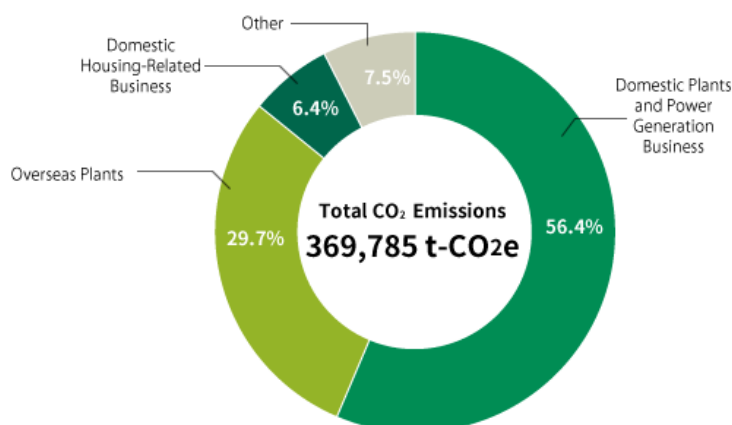
*2 Science Based Targets. These targets are set for companies to achieve reduction goals in-line with scientific knowledge to limit the raising average temperature around the world to 2°C or less.

Scope 1 and Scope 2 CO₂ Emission Trends



* Data for the power generation business (Mombetsu Biomass Power Generation and the Hachinohe Biomass Power Generation Businesses) and Alpine due to sale of the company has been excluded.

Scope 1 and 2 Breakdown by Business (FY 2017)

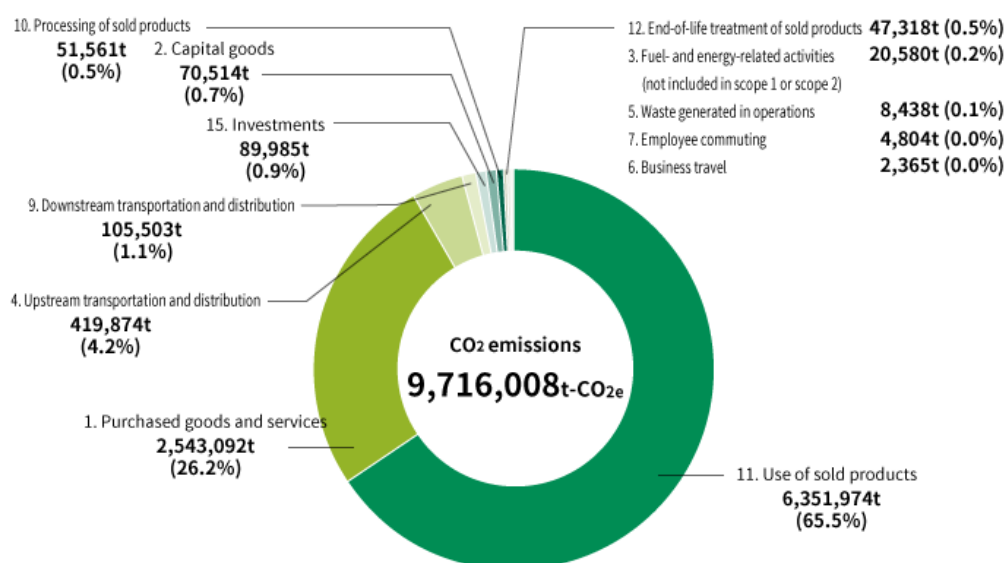


FY 2017 Scope 1 and 2 CO₂ Emissions Breakdown

(Thousand t-CO₂e)

	Domestic and Overseas Office	Domestic Non-Office	Overseas Non-Office	Total
Scope 1	27	204	19	250
Scope 2	16	12	93	120
Total	43	216	112	370

Scope 3 Emissions by Category



Scope 3 Three-year Emissions by Category

(t-CO₂e)

Category	Boundary of Emissions included in the Category	FY 2015	FY 2016	FY 2017
1. Purchased goods and services	Emission from upstream of products and services purchased by Sumitomo Forestry	1,187,600	1,227,877	2,543,092
2. Capital goods	Emissions from upstream of purchased equipment	42,323	61,411	70,514
3. Fuel- and energy-related activities (not included in scope 1 or scope 2)	Emissions from the upstream of purchased fuels, electricity, heat capacity, and water	4,393	8,518 ^{*2}	20,580 ^{*2}
4. Upstream transportation and distribution	Emissions from Sumitomo Forestry distribution from suppliers of purchased products and services in (1) and emissions due to logistics services other than (1) for costs incurred by Sumitomo Forestry.	264,736	268,114	419,874
5. Waste generated in operations	Emissions from waste treatment and its transport	10,839	9,682	8,438
6. Business travel	Emissions related to business trips of employees such as use of public transportation and accommodation	1,393	1,429	2,365
7. Employee commuting	Emissions from employee commuting	1,476	3,122 ^{*3}	4,804 ^{*3}
8. Upstream leased assets	(Emissions from use of upstream leased property such as office buildings, heavy machinery, vehicles, and facilities are included in Scope 1 or 2)	-	-	-
9. Downstream transportation and distribution	Emissions during transport of products sold	11,717	6,781 ^{*2}	105,503 ^{*2}
10. Processing of sold products	Emissions from processing of raw wood into plywood as well as of sold pre-cut processing of sold lumber	51,733	50,410	51,561

Category	Boundary of Emissions included in the Category	FY 2015	FY 2016	FY 2017
11. Use of sold products	Emissions during use of homes sold	2,015,591	2,054,110	6,351,974
12. End-of-life treatment of sold products	Emissions from demolition and disposal of homes sold by the Company	48,435	42,279	47,318
13. Downstream leased assets	(Tenants must belong to the Group and the figures are included in Scope 1 and 2 of the Group)	-	-	-
14. Franchises	(excluded)	-	-	-
15. Investments	Emissions from the investees (based on the Company's proportional share)	94,671	91,279	89,985

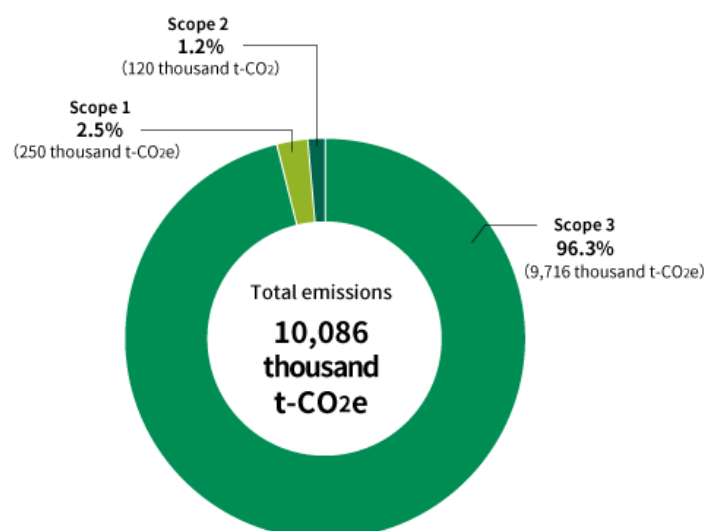
*1 Figures are calculated for Group companies in Japan up to fiscal 2016 and the entire Group from fiscal 2017. Some of the numerical values that are used are data such as that from the database published by the Ministry of the Environment. The data with greater accuracy will be obtained progressively in the future by requesting the provision of primary data.

*2 The estimated transport distance changed as follows as of fiscal 2016.

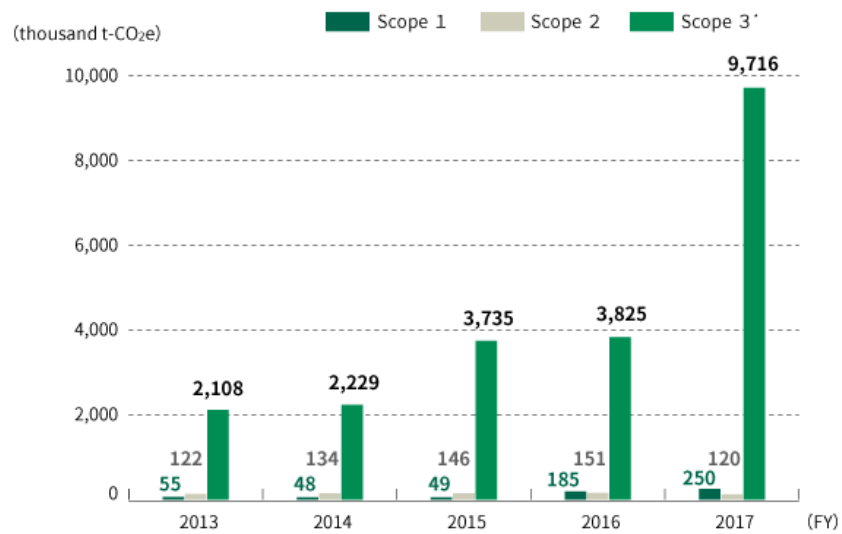
City: Revised from 50 km to 20 km; Prefecture: Did not change from 100 km; Between Prefectures: Revised from 500 km to 300 km. In addition, the estimated overseas transport distances have been set as follows as of fiscal 2017. Short distance: 20 km; Medium distance: 500 km; Long distance: 1,000 km

*3 Train and bus commuting was calculated in fiscal 2015 and commuting by motor vehicle was added as of fiscal 2016.

FY2017 Total Greenhouse Gas Emissions Accrued From Corporate Activities



Emission Trends in Scope 1, 2, and 3



* The scope of calculation of Scope 3 expanded from the traditional three categories to 15 categories as of fiscal 2015.

* The scope of calculation of Scope 3 expanded from the traditional domestic scope in Japan to the entire Sumitomo Forestry Group as of fiscal 2017.

▶ [CO₂ Boundaries and Methods of CO₂ Emissions Calculation](#)

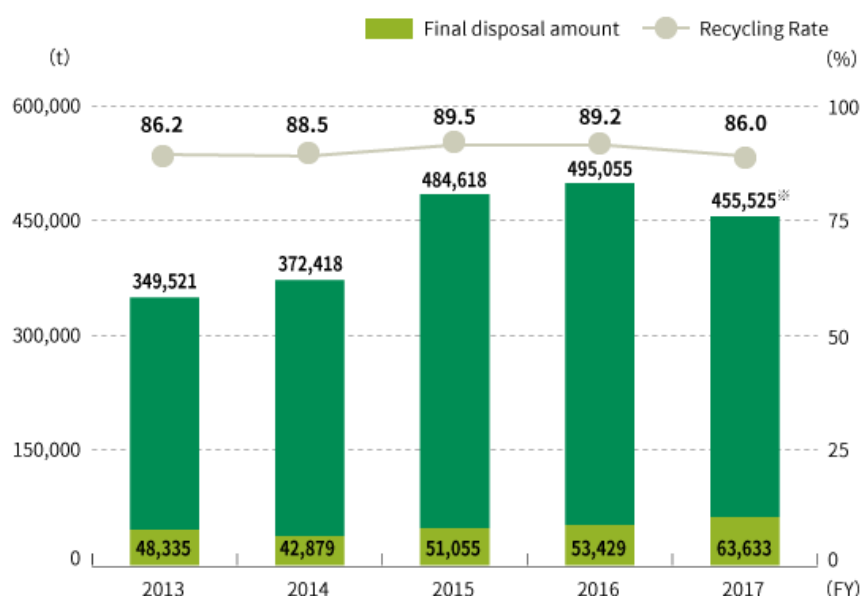
▶ [About symbol for Independent assurance](#)

Responding to Waste and Pollution

Promotion of Waste Reduction and Recycling

We make efforts in attaining zero emissions and reducing industrial waste generated at the same time as promoting reuse and recycling for each operational process in accordance with the Sumitomo Forestry Group Environmental Policies in order to build a sustainable recycling-oriented society. The amount of emissions from the Sumitomo Forestry Group as a whole declined by 8.0% in fiscal 2017 compared to the previous fiscal year. We will continue to strive to effectively use resources in the future.

Trends in Waste Production and Recycling Rate Past Five Years



* Data for Alpine MDF Industries Ltd. has been excluded because the company was sold in March 2017.

Initiatives Towards Zero Emissions in Japan

The Sumitomo Forestry Group promotes zero emissions initiatives by mitigating generation and reusing and recycling of industrial waste with intention to reduce the environmental burden and enhance effective use of resources. The Group's Mid-Term Environmental Management Plan ended in fiscal 2014 defined "zero emissions" as no simple incineration or landfill of industrial waste (recycling rate of 98% or more) generated by domestic manufacturing facilities and new housing construction sites.

Based on this definition, the Group achieved zero emissions at domestic manufacturing facilities (Sumitomo Forestry Crest Co., Ltd. and Sumirin Agro-Products Co., Ltd.; current: Sumitomo Forestry Landscaping Co., Ltd. agricultural business) in fiscal 2009. As for new housing construction sites, including exterior landscaping, the Group achieved zero emissions in the Tokyo metropolitan area in fiscal 2012.

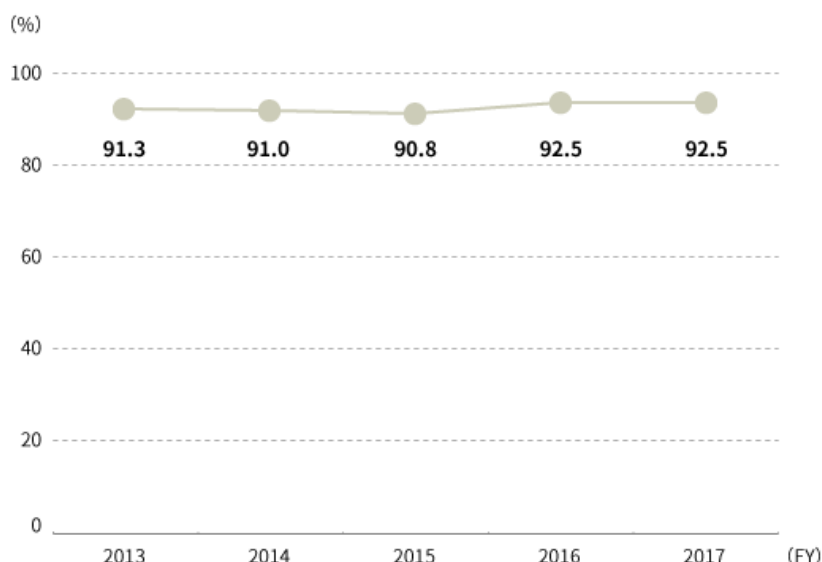
In fiscal 2015 onwards, adhering to Sumitomo Forestry Group Mid-Term CSR Management Plan with its target year being fiscal 2020, the Group continuously works towards zero emissions at new housing construction sites and higher recycling rates at renovation sites and sales of building-related materials. Strict separations of waste according to materials are essential for recycling. Therefore, the Group will raise employee awareness on and enforce appropriate waste disposal process altogether to improve the overall recycling rate and achieving the rate of 98% by fiscal 2020.

Going forward, the Group will analyze the content of the generated waste and the extent to which it is being recycled at new and other construction sites, and develop environmentally conscious products, adopting rational design techniques and ensure that waste is thoroughly sorted at production sites to achieve zero emission.

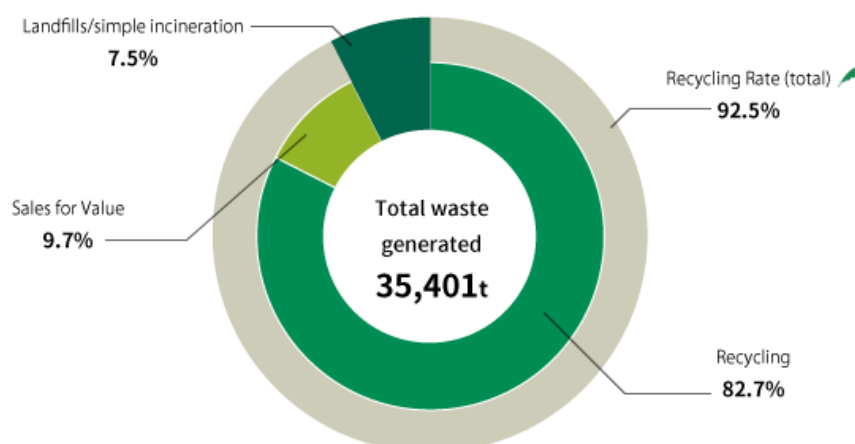
Improving Recycling Rate at Construction Sites of New Houses

At Sumitomo Forestry's new housing construction sites, strict sorting of industrial waste generated at the sites has been implemented as part of the effort to increase recycling. In the Tokyo metropolitan area, the Company obtained "inter-region recovery and recycling certification" from Ministry of Environment in 2012, established the Metropolitan Area Recycling Center, and implemented streamlined sorting of waste. Additionally, as to in other areas, the Company utilizes inbound material transporters in collecting and transferring waste.

Recycling Rate for New Housing Construction Sites (Housing Division, Sumitomo Forestry Landscaping Co., Ltd., MOCCA (Timber Solutions) Department, and Sumitomo Forestry Home Engineering CO., Ltd.)

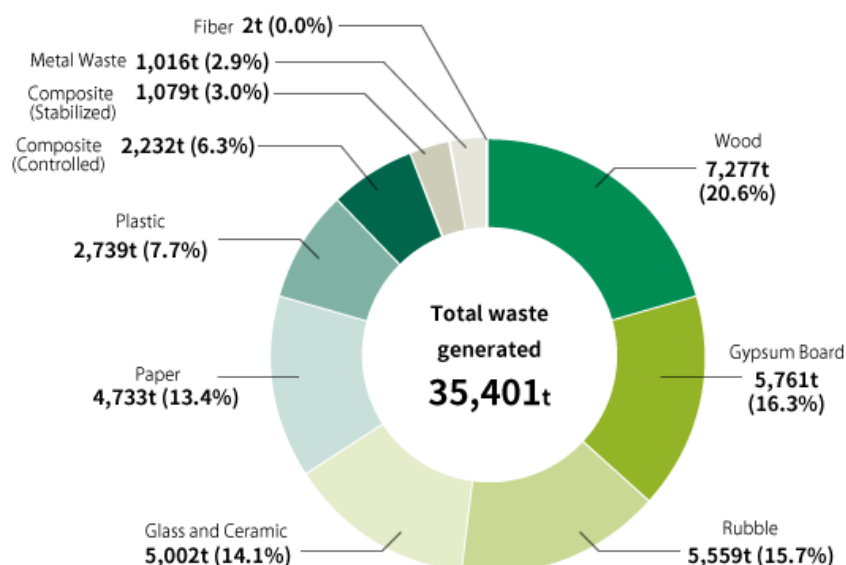


Breakdown of Waste Disposal Process for New Housing Construction Sites (FY 2017)



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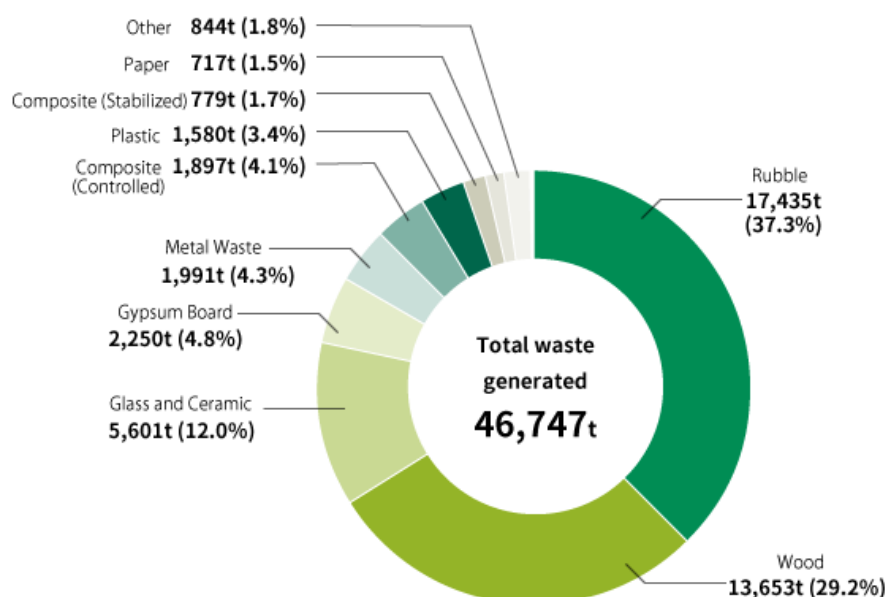
Breakdown of Waste Generated from New Housing Construction Sites (FY 2017)



Initiatives Other than New Housing Construction Sites or Domestic Plants of Building Components

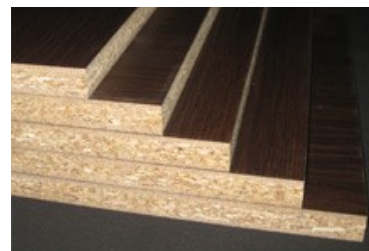
At waste-generating enterprises such as sites of renovation and housing materials sales, initiatives to reduce amounts of waste generated are implemented at a department level. We are working to reduce waste generated by renovation sites by using protective materials as well as other measures to mitigate waste generation. The recycling rate in fiscal 2017 was 76.2%.

Breakdown of Waste Generated Other than New Housing Construction Sites or Domestic Plants of Building Components (FY 2017)



Recycling wood waste materials from renovation sites

In fiscal 2014, Sumitomo Forestry Home Tech Co., Ltd. began recycling wood waste materials generated at its renovation sites. The recycled wood waste is used as raw materials for particle board, and is processed into wall surfaces, entrance hall storage areas and other products at the Sumitomo Forestry Crest Co., Ltd. manufacturing site. These interior materials are then used at the renovation sites.

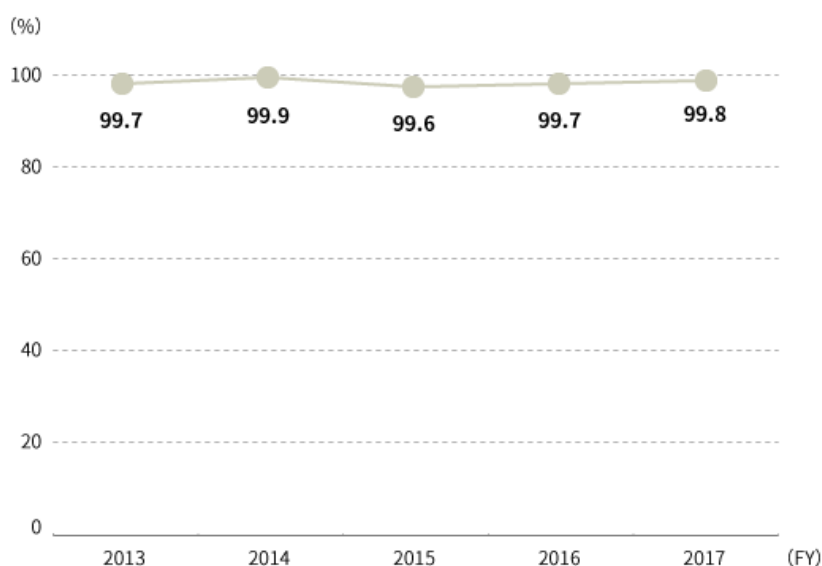


Particle board used recycled wood waste from renovation sites at the Sumitomo Forestry Home Tech

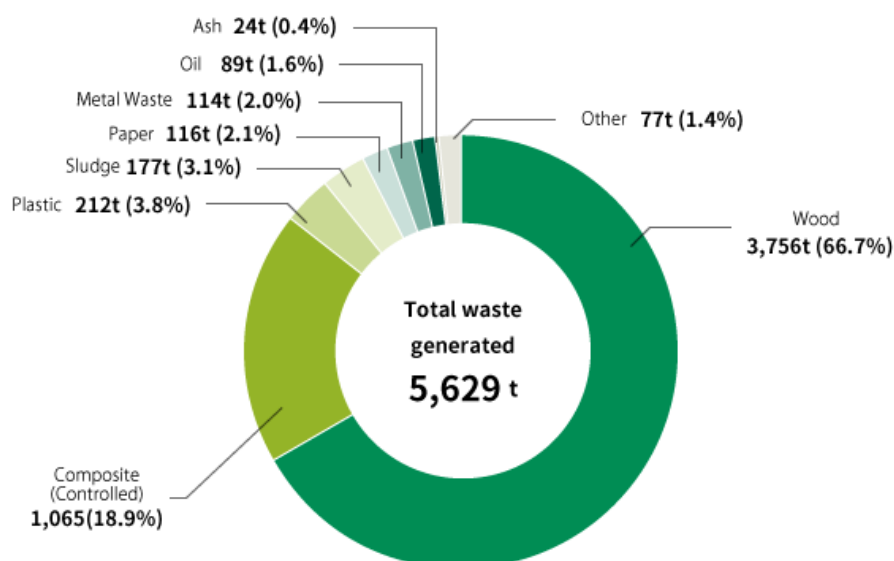
Initiatives at Domestic Plants of Building Components

Sumitomo Forestry Crest Co., Ltd. managed to achieve zero emissions (recycling rates of over 98%) again at all plants in fiscal 2017 as a result of each plant continuing with efforts to reduce waste emissions, for example by tightening the sorting of industrial waste and selling it for a profit.

Recycling Rates at Domestic Plants of Building Components



Breakdown of Waste Generated at Domestic Plants of Building Components (FY 2017)



Initiatives for Zero Emissions at Overseas Manufacturing Facilities

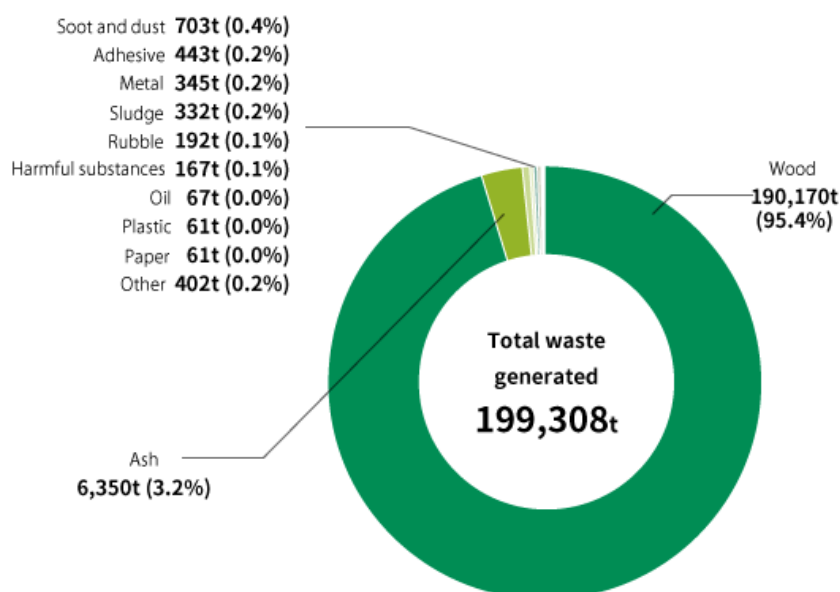
The five main manufacturing companies outside Japan*, besides complying with local laws, are advancing initiatives based on the Sumitomo Forestry Group's definition of zero emissions. For example, in Indonesia, PT. Kutai Timber Indonesia collects wood waste generated during the particle board manufacturing process and reuses it as boiler fuel or in wood building materials.

The total emissions was 199,308t in fiscal 2017, which is a 19% reduction compared to the previous fiscal year (246,210t).

We will continue to aim to achieve zero emissions in the future.

* Indonesia: PT. Kutai Timber Indonesia, PT. Rimba Partikel Indonesia, and PT. AST Indonesia
 New Zealand: Nelson Pine Industries Ltd.
 Vietnam: Vina Eco Board Co., Ltd.

Breakdown of Waste Generated at Overseas Manufacturing Plants (FY 2017)

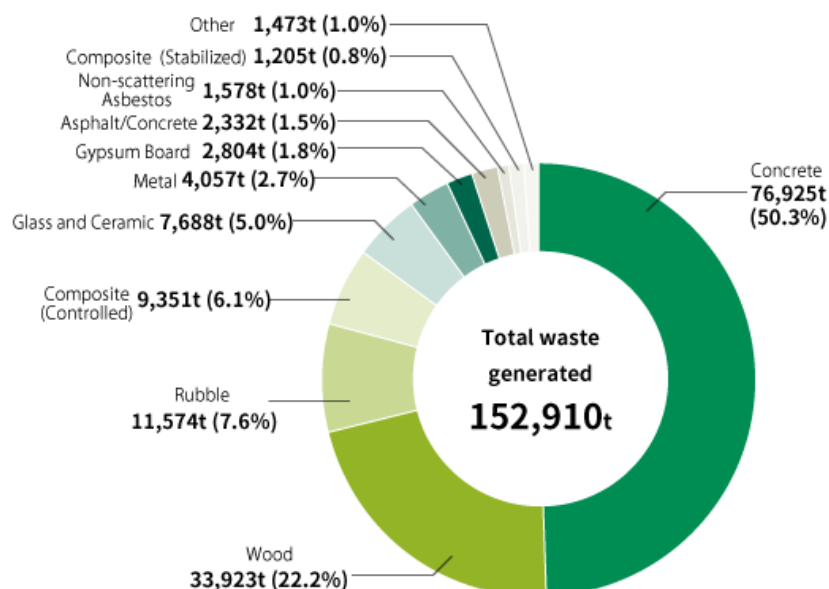


Proper Disposal of Demolition Waste

Sumitomo Forestry was promoting resource recycling even before the enactment of the Construction Material Recycling Act implemented in 2002 by ensuring that materials were properly sorted during demolition prior to the construction of a new house and that waste remained sorted for processing afterwards. Since the enactment in 2002, the Company has recycled the items required under the Act (wood waste, concrete, etc.), sorting them at the sites where the waste is generated.

The recycling rate for concrete and metal waste was almost 100% in fiscal 2017, as it was the previous year. A 100% recycling rate was achieved for wood waste through measures including the thorough removal of extraneous matter. We strive for appropriate processing while developing recycling routes for roofing tiles, glass, ceramics, gypsum board and other composite waste for even further improvement of recycling rates.

Breakdown of Demolition Waste Generated (FY 2017)



Education for New Construction and Demolition Contractors

Demolition contractors report about industrial waste to the Housing and Construction Division from the start to the completion of demolition with pictures and materials recording the work based on a manual. The Housing and Construction Division comprehensively checks these reports and, if there are any inconsistencies, education and comprehension tests about industrial waste is conducted for new construction contractors with monthly construction contractor meetings as an important management branch to confirm the capabilities.

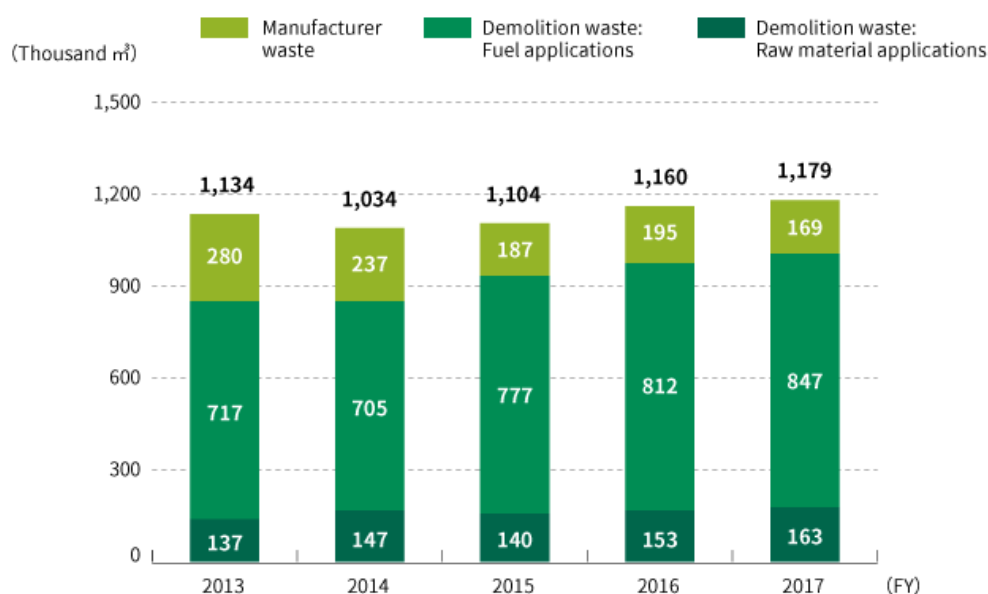
Recycling of Wood Resources into Chips

The Sumitomo Forestry Group contributes to resource recycling through its wood chip operations, whereby offcuts generated during the timber milling process and wood waste from new housing construction and demolition sites are turned into wood chips to be used as a raw material for products such as paper and particle board, and also as a fuel for power-generating boilers or other equipment.

Looking at the volume of wood chips handled in fiscal 2017, raw material applications (derived from lumber manufacturers) showed a better balance in supply and demand of raw materials for paper making than the previous fiscal year. On the other hand, the volume of wood chips for fuel applications (derived from demolition) increased compared to the previous fiscal year due to active efforts to increase the share by cultivating avenues to new suppliers as well as existing suppliers of fuel for FIT (fixed price purchasing system for renewable energy) power generation.

In fiscal 2018, the Group expects to handle the same volume of wood chips used as a raw material for paper and particle board as in fiscal 2017. In addition, the Group expects that the volume of wood chips it handles for use as fuel will further increase through meeting the growing demand for fuel used in biomass power generation.

Handling Volume of Wood Chips



Effective Utilization of Used Activated Carbon from Water Purification Plants

The Tokyo Metropolitan Government (TMG) Bureau of Waterworks uses an advanced water treatment system combining ozonation and the use of biological activated carbon.

Group company Sumirin Agro-Products Co., Ltd. (current: Sumitomo Forestry Landscaping Co., Ltd.) is making effective use of this used activated carbon to develop and market potting media for agriculture and horticulture and a soil improvement agent for greening. Joint research conducted with the TMG found that these items were effective in promoting plant growth, and the two parties applied for a joint patent based on the research results.

The amount of used activated carbon in fiscal 2017 was 2,500m³, which increased 33.2% compared to the previous fiscal year. In fiscal 2018, Tane Baido and Karuido products that use activated carbon are expected to perform favorably with an estimate of 3,962m³, a 58.5% increase compared to fiscal 2017.



Used activated carbon and farming - garden products made from the carbon



Management of Hazardous Chemical Substances and Appropriate Disposal

Management of Chemical Substances

Management of Chemical Substances at Plants in Japan

The Sumitomo Forestry Group manages chemical substances at each of three relevant Sumitomo Forestry Crest Co., Ltd. plants (Kashima Plant, Niihama Plant, Imari Plant) in accordance with the Pollutant Release and Transfer Register Law related to promoting understanding, management, and reforms for designated chemical substance emissions to the environment in Japan.

Management Table of Chemical Substances at Plants in Japan (FY 2017)

Appli cable Comp any	Appli cable Depar tment	Subst ance No.	Name of Chemical Substance	Total Use (kg/ year)	Emissions (kg/year) 				Total Transfer (kg/year) 		Conver sion into Prod ucts
					Air *For VOC regul ations	Water	Soil	Land fill Disp osal	Sewe rage	Unre lated Offices	
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	186	Methylene chloride (dichloromethane)	12,235	8,200	0	0	0	0	4,000	1
		448	Methylenebis (4,1- phenylene) diisocyanate	1,316	0	0	0	0	0	65	0
		Subtotal		13,552	8,200	0	0	0	0	4,065	1
	Niihama Plant	186	Methylene chloride (dichloromethane)	4,810	3,300	0	0	0	0	1,500	0.6
	Subtotal			4,810	3,300	0	0	0	0	1,500	0.6

Appli cable Comp any	Appli cable Depar tment	Subst ance No.	Name of Chemical Substance	Total Use (kg/ year)	Emissions (kg/year)🌿				Total Transfer (kg/year)🌿		Conver sion into Prod ucts
					Air *For VOC regul ations	Water	Soil	Land fill Dispo sal	Sewe rage	Unre lated Offices	
Sumitomo Forestry Crest Co., Ltd.	Imari	4	Acrylic acid and water-soluble salts	13,378	0	0	0	0	0	0	13,378
		7	n-Butyl acrylate	10,711	0	0	0	0	0	30	10,681
		84	Glyoxal	3,454	0	0	0	0	0	6.9	3,447
		134	Vinyl acetate	2,295,359	2,400	100	0	0	0	39	2,292,812
		349	Phenol	80,280	0	0	0	0	0	26	80,254
		395	The water-soluble salts of peroxydisulfuric acid	3,835	0	0	0	0	0	9.4	3,826
		407	Poly (Oxyethylene) = Alkylether (alkyl group: C12 to C15)	2,477	0	12	0	0	0	7.0	2,458
		411	Formaldehyde	179,463	55	0	0	0	0	390	179,014
		415	Methacrylic acid	1,180	0	0	0	0	0	0	1,180
		448	Methylenebis (4,1- phenylene) diisocyanate	12,156	0	0	0	0	0	59	12,097
	Subtotal			2,602,293	2,455	112	0	0	0	567	2,599,147
Total				2,420,655	13,955	112	0	0	0	6,132	2,599,149


[About symbol for Independent assurance](#)

Management of Chemical Substances at Overseas Plants

Chemical substances, including adhesives and coatings, in the table below are managed at overseas plants in accordance with the management regulations for chemical substances in each country.

Management Table of Chemical Substances at Plants in Overseas (FY 2017)

Applicable Company	Country	Name of Chemical Substance	Total Use (t/year)	Emissions (kg/year)		Total Transfer (kg/year)
				Air *For VOC regulations	Waters, etc	Conversion into Products
KTI	Indonesia	Adhesives at MA, UA, etc.	21,244	-	-	11,413
ASTI	Indonesia	Styrene, xylene, solvents	23	-	-	6
RPI	Indonesia	Isocyanate/ formaldehyde	612	-	-	313
NPIL	New Zealand	Formaldehyde	382	-	-	382
VECO	Vietnam	Isocyanate/ formaldehyde, etc.	520	0	2.9	224
CCC	United States of America	MEK, alcohols, etc	82	71	-	11
Total			22,863	71	2.9	12,349












Management of Air Pollutants

Management of Air Pollutants at Plants in Japan

The Sumitomo Forestry Group periodically conducts emission concentration tests for dioxins, NOx, SOx, and smoke dust in the air for each relevant plant at Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Niihama Plant, Imari Plant), the Shinshiro Plant at Sumirin Agro Products (current: Sumitomo Forestry Landscaping) and at the Mombetsu Biomass Power Plant in accordance with the Air Pollution Control Act as well as local regulations.

Management Table of Air Pollutants at Plants in Japan (FY 2017)

Applicable Company	Applicable Department	Measured Substances	Emissions (kg/year)	(Limit)		Measured Concentration	Emissions to the Air (mg-TEQ)
				Unit			
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	Dioxin	-	ng-TEQ/m ³	5	2.3	51
	Shizuoka Plant	Dioxin	-	ng-TEQ/m ³	5	0.69	2.3

Applicable Company	Applicable Department	Measured Substances	Emissions (kg/year)	(Limit)		Measured Concentration	Dry gas flow rate (Nm³/h)
				Unit			
Sumitomo Forestry Crest Co., Ltd.	Niihama Plant (Waste Wood Boiler)	SOx (Sulfur oxide)	3.7 	ppm	-	0.5	2,391
		NOx (Nitrogen oxide)	403.9 	ppm	350	85	2,391
		Soot and dust	578.2	g/Nm³	0.3	0.16	2,391
	Niihama Plant (Heavy Oil Boiler)	SOx (Sulfur oxide)	449.4 	ppm	-	0.5	652
		NOx (Nitrogen oxide)	74.8 	ppm	180	60	652
		Soot and dust	6.7	g/Nm³	0.3	0.01	652
	Imari Plant	SOx (Sulfur oxide)	1,829 	-	-	-	-
Sumirin Agro-Products Co., Ltd. (Current: Sumitomo Forestry Landscaping Co., Ltd. Agriculture Business)	Shinshiro Plant	SOx (Sulfur oxide)	576 	ppm	-	< 1.2	13,100
		NOx (Nitrogen oxide)	37 	ppm	200	26	13,100
		Soot and dust	54	g/Nm³	0.2	< 0.005	13,100
Mombetsu Biomass Power Plant		SOx (Sulfur oxide)	182,881 	ppm	373	10.0	189,000
		NOx (Nitrogen oxide)	262,090 	ppm	250	89.2	189,000
		Soot and dust	3,078	g/Nm³	0.1	0.0039	189,000
Hachinohe Biomass Power Generation Plant		SOx (Sulfur oxide)	1,220 	ppm	32.3	0.34	71,790
		NOx (Nitrogen oxide)	5,482 	ppm	250	30.0	71,790
		Soot and dust	0.0	g/Nm³	0.3	0.0	71,790

Management of Air Pollutants at Overseas Plants

At overseas plants, the Sumitomo Forestry Group measures the concentration of NOx, SOx and smoke dust in Indonesia and Vietnam as well as VOC emission in the United States of America in accordance with the regulations of each country and region.

Management Table of Air Pollutants at Plants Overseas (FY 2017)

Applicable Company	Country	Measured Substances	(Limit)		Measured Concentration	Dry gas flow rate (Nm ³ /h)
			Unit			
KTI	Indonesia	CO (Carbon monoxide)	μg/Nm ³	22,600	4,502.0	-
		SOx (Sulfur oxide)	μg/Nm ³	262	31.0	-
		NOx (Nitrogen oxide)	μg/Nm ³	92.5	14.0	-
		H ₂ S (Hydrogen sulfide)	μg/Nm ³	42	8.78	-
		NH ₃ (Ammonia)	μg/Nm ³	1,360	117.0	-
		O ₃ (Ozone)	μg/Nm ³	200	32.0	-
		Soot and dust	mg/Nm ³	0.26	0.07	-
RPI	Indonesia	SOx (Sulfur oxide)	mg/Nm ³	800	Below Detection Boundary	-
		NOx (Nitrogen oxide)	mg/Nm ³	1,000	68	-
		Soot and dust	mg/Nm ³	350	323.4	-

Applicable Company	Country	Measured Substances	(Limit)		Measured Concentration	Dry gas flow rate (Nm ³ /h)
			Unit			
ASTI	Indonesia	CO (Carbon monoxide)	µg/Nm ³	15,000	2,289.0	-
		SOx (Sulfur oxide)	µg/Nm ³	632	8.3	-
		NOx (Nitrogen oxide)	µg/Nm ³	316	20.3	-
		H ₂ S (Hydrogen sulfide)	µg/Nm ³	0.02	Below Detection Boundary	-
		NH ₃ (Ammonia)	ppm	2.0	0.069	-
		TSP (Debu Total) Total Suspended Particulate Matter	µg/Nm ³	230	148	-
VECO	Vietnam	SOx (Sulfur oxide)	mg/Nm ³	500	3.94	-
		NOx (Nitrogen oxide)	mg/Nm ³	850	47.5	-
		Soot and dust	mg/Nm ³	200	68.81	-
CCC	United States of America	Volatile organic compounds (VOCs)	lbs	200,000	181,152	-

Management of Water Pollutants

Management of Water Pollutants in Japan

The Sumitomo Forestry periodically conducts water pollution tests of waste water at the Tsukuba Research Institute, Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Shizuoka Plant, Niihama Plant and Imari Plant), the Mombetsu Biomass Power Plant and the Hachinohe Biomass Power Generation Plant in accordance with the Water Pollution Control Act of Japan.

Management Table of Water Quality at Plants in Japan (FY 2017)

Applicable Company	Applicable Department	Test Items	(Limit)		Measured Concentration
			Unit		
Sumitomo Forestry	Tsukuba Research Institute	pH	-	5 to 9	7.9
		BOD (Biochemical Oxygen Demand)	mg/L	< 600	10.0
		SS (Suspended Solids)	mg/L	< 600	6.0
		Substances normal hexane extracts/mineral oils	mg/L	≤ 5	< 1
		Substances normal hexane extracts/animal and vegetable oil and fat	mg/L	≤ 30	< 1
		Iodine consumption	mg/L	≤ 220	< 5
		Phenols	mg/L	≤ 5	< 0.025
		Copper content	mg/L	≤ 3	< 0.025
		Zinc content	mg/L	≤ 2	0.03
		Soluble iron content	mg/L	≤ 10	0.025
		Soluble manganese content	mg/L	≤ 10	< 0.02
		Cyanogen compound	mg/L	≤ 1	< 0.1
		Benzene	mg/L	≤ 0.1	< 0.001
		Boron and other compounds	mg/L	≤ 10	0.04
		Fluorine and other compounds	mg/L	≤ 8	< 0.17

Applicable Company	Applicable Department	Test Items	(Limit)		Measured Concentration
			Unit		
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	pH	-	5.8 to 8.6	8.9
		BOD (Biochemical Oxygen Demand)	mg/L	-	1.4
		COD (Chemical Oxygen Demand)	mg/L	10.0	4.1
		SS (Suspended Solids)	mg/L	10.0	1.0
	Shizuoka Plant	pH	-	5.8 to 8.6	7.6
		BOD (Biochemical Oxygen Demand)	mg/L	≤ 160	28.0
		COD (Chemical Oxygen Demand)	mg/L	-	-
		SS (Suspended Solids)	mg/L	≤ 200	1.0
	Niihama Plant	pH	-	5.8 to 8.6	8.0
		BOD (Biochemical Oxygen Demand)	mg/L	-	-
		COD (Chemical Oxygen Demand)	mg/L	160	2.0
		SS (Suspended Solids)	mg/L	200.0	7.0
	Imari Plant	pH	-	5.8 to 8.6	7.9
		BOD (Biochemical Oxygen Demand)	mg/L	-	-
		COD (Chemical Oxygen Demand)	mg/L	70	30.2
		SS (Suspended Solids)	mg/L	70	5.6
		pH	-	5 to 9	7.6
Mombetsu Biomass Power Plant		BOD (Biochemical Oxygen Demand)	mg/L	1,000 mg/L or less over five days	6
		SS (Suspended Solids)	mg/L	1,000	2
Hachinohe Biomass Power Generation Plant		pH	-	5.8 to 8.6	7.6

Management of Water Pollutants Overseas

The Sumitomo Forestry Group conducts concentration tests of water pollutants at overseas plants in accordance with the water quality regulations for waste water in each country.

Management Table of Water Quality at Plants Overseas (FY 2017)

Applicable Company	Applicable Department	Test Items	(Limit)		Measured Concentration
			Unit		
KTI	Indonesia	pH	-	6 to 9	7.0
		BOD (Biochemical Oxygen Demand)	mg/L	75.0	4.0
		COD (Chemical Oxygen Demand)	mg/L	125.0	20.0
		TSS (Suspended Solids)	mg/L	50.0	2.0
		NH ₃ -N (Ammonia concentration)	mg/L	4.0	0.08
		Fenol (Fenol concentration)	mg/L	0.25	0.001
RPI	Indonesia	pH	-	6 to 9	7.8
		BOD (Biochemical Oxygen Demand)	mg/L	75	2.9
		COD (Chemical Oxygen Demand)	mg/L	125	31.9
		TSS (Suspended Solids)	mg/L	50	13
		NH ₃ -N (Ammonia concentration)	mg/L	4	0.2
		Fenol (Fenol concentration)	mg/L	0.25	0.003

Applicable Company	Applicable Department	Test Items	(Limit)		Measured Concentration
			Unit		
ASTI	Indonesia	pH	-	6 to 9	7.9
		BOD (Biochemical Oxygen Demand)	mg/L	50.0	10.0
		COD (Chemical Oxygen Demand)	mg/L	100.0	19.8
		Soluble iron content	mg/L	5	0.2741
		Soluble manganese content	mg/L	2	0.0362
		Copper content	mg/L	2	0.028
		Zinc content	mg/L	5	0.0589
		Chromium hexavalent compound	mg/L	0.1	0.0001
		Chromium compound	mg/L	0.5	0.0122
		Cadmium compound	mg/L	0.05	0.0064
		Lead compound	mg/L	0.1	< 0.030
		Hydrogen sulfide compound	mg/L	0.05	0.0072
		Nitrate compound	mg/L	20	0.1782
		Nitrite compound	mg/L	1	0.0029
VECO	Vietnam	pH	-	5 to 9	7.36
		BOD (Biochemical Oxygen Demand)	mg/L	100	24.8
		COD (Chemical Oxygen Demand)	mg/L	300	70.85
		SS (Suspended Solids)	mg/L	200	11.0
		Nitrogen compound	mg/L	40	8.74
		Phosphate compound	mg/L	6	0.84
NPIL	New Zealand	pH	-	6 to 9	Conformity
		BOD (Biochemical Oxygen Demand)	mg/L	2,350	Conformity
		COD (Chemical Oxygen Demand)	mg/L	6,400	Conformity
		SS (Suspended Solids)	mg/L	650	Conformity

Appropriate Disposal of Building Materials Containing Asbestos

The Sumitomo Forestry Group has secured the proper disposal routes for asbestos. Sumitomo Forestry strives to prevent the spread of asbestos in the demolition work of residences through the formulation of the Guide for Appropriate Measures during Demolition Work.

The Group is also engaged in proper disposal of asbestos in the buildings of each office based on the law.

Proper Disposal of Building Materials Containing Asbestos

We are also furthering the proper management and processing of Polychlorinated Biphenyl (PCB) contained in equipment such as spent high-voltage capacitors in accordance with the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes.

Sumitomo Forestry Crest disposed 44,190kg of PCB following fiscal 2016 due to changes such as the removal of equipment following the close of plants in fiscal 2017. As of the end of fiscal 2017, the Company has stored 513 units. Kawanokita Development completed all PCB processing in fiscal 2017. Tsukuba Research Institute currently has four units of such equipment in use and a total of 517 units that are being managed.

Disposal Status of Polychlorinated Biphenyl (PCB) Waste^{*1}

Applicable Company	Applicable Facility	Total Disposal in FY 2015 (kg) ^{*1}	Total Disposal in FY 2016 (kg) ^{*1}	Total Disposal in FY 2017 (kg) ^{*1}
Sumitomo Forestry Crest Co., Ltd.	Imari Plant	1,637	1,385	0
	(Former) Nagoya Plant ^{*2}	1,720	0	44,190
	(Former) Kyushu Plant ^{*2}	3,695	8,570	0
Kawanokita Development Co., Ltd.		0	0	350
Subtotal		7,052	9,955	44,540

^{*1} The total disposal amount is based on the disposal notification and includes the weight of the storage container.

^{*2} The (Former) Nagoya Plant and the (Former) Kyushu Plant were closed in end of June 2015.

Management Status of Polychlorinated Biphenyl (PCB)^{*1}

Applicable Company	Applicable Facility	FY 2017 Onward Estimated Processing	Management Status
Sumitomo Forestry Crest Co., Ltd.	Imari Plant	4 units	Capacitors in use
	(Former) Nagoya Plant ^{*2}	513 units	Stabilizers in storage
ASTI	ASTI Plants	1,334kg	Electrical Boards

*1 The equipment included above is equipment currently in use or in storage which is being evaluated for processing

*2 The (Former) Nagoya Plant was closed in end of June 2015.

Management of Fluorocarbon Emissions

The Sumitomo Forestry Group is managing fluorocarbon emissions related to the fluorocarbon gases that are used as coolants by equipment such as air-conditioning and refrigeration at affiliate companies, and for testing equipment at the Tsukuba Research Institute, through periodic inspections of fluorocarbon leakage indicated in the table below in accordance with the Act on Rational Use and Proper Management of Fluorocarbons enacted April 2015.

Management Status of Fluorocarbon Emissions

Applicable Company	Applicable Facility	FY 2017 Fluorocarbons Filled (kg)	Conversion (kgCO ₂)
Sumitomo Forestry	Tsukuba Research Institute (Testing equipment, etc.)	5.0	9.05
Sumitomo Forestry Crest Co., Ltd.	Day Forest Higashiyamada	2.2	4.60
Total		7.2	13.65

* Fluorocarbon emissions are managed by the amount of fluorocarbons filled at periodic inspections of the equipment

Project for Soil Purification Technology and Environmental Remediation Aided by Plants

An issue in re-using the site of an old factory is the environmental impact associated with soil contamination and the cost burden of any remedial measures. For example, under the revised Fire Service Act of Japan, gasoline stations are now obliged to repair any underground tanks that have lain under the ground for more than 40 years, and as a consequence of this, it is expected that between 1,000 and 2,000 stations will close down each year.

In order to meet the demand for environmental remediation and measures dealing with soil contamination, the Sumitomo Forestry Group has been working on cleansing contaminated soil by using the functions of plants (phytoremediation). As part of this, during fiscal 2012, in collaboration with JXTG Nippon Oil & Energy (JX Nippon Oil & Energy Corporation at the time), the Group developed a method for purifying soil contaminated with oil using Burning Field, a variety of Japanese lawn-grass independently registered by the Group.

One of the functions possessed by the variety of Japanese lawn-grass used in this method is that the nutrients transpiring from its roots activate microorganisms in the soil, and the upshot of this is that it has the potential to inexpensively reduce the oil content in polluted soil and reduce environmental impact at low costs. This method has been adopted at nine sites so far to purify areas where gasoline stands or oil depots once stood, with purification at three sites now complete.

In fiscal 2013 and 2014, the Ministry of the Environment conducted a study on low-cost, low-impact technologies for surveying and for counteracting contaminated soil in addition to presenting the Environmental Measures Exemplary Efforts Awards (Minister of the Environment Award) in 2013. The study found that oil-degrading microorganisms tend to become more active, and were recognized as having potential to be applied at sites heavily contaminated with oil.

Moving forward, by steadily producing results in soil purification based on this technique, the Group will continue to help resolve the nationwide problem of oil contamination.



Grass laid on the site where a gasoline station once stood

Biodiversity Conservation

Policies and Targets for Biodiversity Conservation

Declaration of Biodiversity and Biodiversity Action Guidelines

Sumitomo Forestry established its policy on Biodiversity Conservation in Company-owned Forests in Japan in fiscal 2006, and its Timber Procurement Philosophy and Policy in fiscal 2007. The Company also revised its Environmental Policies in fiscal 2007 to incorporate biodiversity considerations. Then in March 2012, the Sumitomo Forestry Group established its Declaration of Biodiversity, setting out the Sumitomo Forestry Group's understanding of and stance on biodiversity; Biodiversity Action Guidelines, specifying an internal set of guidelines; and Biodiversity Long-Term Targets as specific goals of activity.

In July 2015, the Group initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policies*, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group's Biodiversity Action Guidelines. Therefore, the efforts in biodiversity are also operated based on the policies integrated in the Sumitomo Forestry Group Environmental Policy.

* The Sumitomo Forestry Group formulated the Environmental Philosophy in 1994 and the Environmental Policies in 2000.

► [Sumitomo Forestry Group Environmental Policy](#)

Long-Term Biodiversity Targets

As well as advancing biodiversity conservation initiatives, the Group established its Long-Term Biodiversity Targets in March 2012 as a way of contributing to the international community in respect to attainment of the Aichi Biodiversity Targets adopted at the Conference of Parties to the Convention on Biological Diversity (COP10) in 2010. Rough schedules for achieving each of the long-term targets were put in place covering the period up until 2020 and serve as a guideline for advancing initiatives.

The Sumitomo Forestry Group's Long-term Biodiversity Targets (summary)

Group-wide Targets

1. (Aim to achieve sustainable forests)

In all timber-related businesses, from upstream to downstream, we will work to prevent a reduction in forest areas and pursue forest sustainability.

- We will strive to regenerate forests through reforestation and natural regeneration and logging a planned, sustainable manner that takes into account the forest's ability to grow.
- We will increase the procurement and use of sustainable timber, such as forest certified timber, plantation forest timber and Japanese timber.
- We will promote the efficient use as well as the recycling and reuse of timber.

2. (Increase the amount of CO₂ absorbed by and sequestered in forests and timber)

By cultivating healthy forests and promoting the use of timber through the greater use of timber construction materials and the construction of wooden buildings, we will strive to increase the amount of CO₂ absorbed by and sequestered in forests and timber to contribute to the protection of biodiversity and the alleviation of climate change.

Individual targets

3. (Forests)

- We will carry out zoning to protect ecosystems and the habitats of living creatures.
- We will ensure that in terms of area, 20% or more of our Company-owned forests in Japan are environment forests that emphasize environmental protection.
- We will maintain that 100% Company-owned forests remain forest-certified.
- We will maintain and increase biodiversity at our operation sites based on results of our biodiversity monitoring of Company-owned forests in Japan.

We will conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.

4. (Products)

We will provide products and services that take into account biodiversity, such as forest certification and products and services that have undergone environmental assessment.

5. (Construction)

We will work to develop homes and communities that are in harmony with the natural environment and their surrounding urban landscapes.

6. (Design)

We will manage and minimize the generation of waste by promoting a zero-emissions policy in building and construction.

7. (Greening)

We will be considerate to the surrounding ecosystems and tree species and actively cultivate native species.

8. (Plants)

We will manage and minimize pollutants, waste and noise, and reduce their impact on biodiversity.

9. (Public relations)

We will actively communicate the importance of biodiversity to all stakeholders, including customers, business partners, and local communities.

10. (Research)

We will gather the latest information and develop conservation technologies to implement biodiversity initiatives.

11. (Social contribution)

We will protect trees that are historically and culturally important and also preserve their genetic material. We will promote forest management that regenerates, maintains and increases biodiversity.

Company Structure for Biodiversity Conservation

In accordance with our environmental management structure, the Representative Director and President is the person in charge of Sumitomo Forestry Group's initiatives to protect biodiversity, and the Executive Officer in charge of the CSR Promotion Department and the General Manager of the CSR Promotion Division manage Sumitomo Forestry Group company activities.

Commitment to Protected Areas

To manufacture and secure timber resources, Sumitomo Forestry owns or manages many forests both in Japan and overseas. None of these forests is located in areas designated as world heritage sites. Furthermore, we have not and will not operate in areas designated as world natural heritage sites. Regardless of land ownership, national parks in Japan, which has a small land area, operate under the Regional Natural Park System and many national parks include private property. A portion of Sumitomo Forestry's Company-owned forests are located inside national park areas, and as is the case for other areas designated as protected forests or other, we operate in strict compliance with all legal regulations.

The Sumitomo Forestry Group manages 47,977 hectares of Company-owned forests in Japan and approximately 220,000 hectares of forests overseas. These managed forests are categorized as environmental forests, economic forests and other. Both in Japan and overseas, a nature conservation area is created according to its categorization as an environmental forest or protected forest and operations in such areas are not permitted in principle. Specifically, at the operation site of the Indonesian affiliated company PT. Wana Subur Lestari (hereinafter, WSL), we concluded an advisory contract with International Finance Corporation (IFC), a World Bank Group organization, to designate High Conservation Value Forests (HCVF). These protected areas account for over 20% of our operating land, higher than the 17% goal for protected regions set out in the Aichi Biodiversity Targets.

Evaluation of Stakeholder Initiatives

At WSL, we worked jointly with IFC to survey our operation sites as part of the process of designating HCVF, and investigated if operation site land-use plans were appropriately implemented and if adequate consideration to biodiversity and the lifestyle of local residents was given. Based on the results of these surveys, we held stakeholder meetings (local residents, surrounding companies, academics, NGOs, government officials) to exchange opinions. In the future, we will hold similar opportunities to exchange opinions as needed.

In addition, in our urban greening business, we obtain third-party evaluations by actively encouraging our customers to register for “Ikimono Kyozen Jigyousho” certification set by the Association for Business Innovation in Harmony with Nature and Community (ABINC) or the Social and Environmental Green Evaluation System (SEGES) green certification implemented by the Organization for Landscape and Urban Green Infrastructure.

Support of Related Initiatives and Cooperation with Organizations

Sumitomo Forestry participates in many organizations that are actively involved in biodiversity conservation. The president of Sumitomo Forestry serves as vice chairman of the Keidanren Committee on Nature Conservation, made up of Keidanren member companies. In addition, employees are temporarily assigned to serve as secretariat members and committee members are dispatched to the planning task force, which is in charge of operations. We also participate in Japan Business Initiative for Biodiversity (JBIB), made up of companies passionate about biodiversity, and conduct joint research on corporate biodiversity initiatives in numerous subcommittee meetings.

In the Double 20 Project in Japan to achieve the targets for Aichi, we have registered three projects as of June 2016; The Sumitomo Forestry Group’s Biodiversity Long-term Targets, Sumitomo Forestry-owned Forest Operations Friendly to Biodiversity, and the Environmental Education Program at Mt. Fuji Manabi no Mori Project. These three projects are highly praised for many reasons that include the creation of many independent links, content with a great impact that utilizes the features of the company in its efforts and for the ripple effects to related industries that can be expected thanks to the relationship outlined with Aichi targets. In March 2017, these projects were bundled and recognized as a business tie-up with the Japan Committee for United Nations Development Business (UNBD-J; 10th).

Sumitomo Forestry Landscaping Co., Ltd. is actively striving toward the registration of certifications in the JBIB Guidelines for Sustainable Business Sites promoted by the Association for Business Innovation in harmony with Nature and Community (ABINC) and the SEGES Green Certification promoted by the Organization for Landscape and urban Green Infrastructure for properties undertaken with the environmental greening business. Moreover, the chairman of Sumitomo Forestry acts as the chairman of the Organization for Landscape and Urban Green Infrastructure.

- ▶ [Sumitomo Forestry Group biodiversity conservations activities have been approved as an affiliated operation of the Japan Committee for United Nations Development Business \(UNBD-J\) \(in Japanese\)](#)
- ▶ [Japan Business Initiative for Biodiversity \(JBIB\)](#)

Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas

Biodiversity Conservation in Company-Owned Forests in Japan

The Policy on Biodiversity Conservation for Company-owned forests in Japan calls for efforts to promote diversity of ecosystems through proper management of protected areas and consideration toward the continuity of forests, diversity of species through protection of rare flora and fauna, and genetic diversity through the maintenance of populations. In keeping with these policies, forests are subject to appropriate zoning and management according to certain criteria, such as the increment of trees. Sumitomo Forestry is also making efforts to create endangered species lists and manuals and conduct monitoring surveys of mammal and avian species.

Policy on Biodiversity Conservation in Company-Owned Forests in Japan(Excerpt) (Formulated June 2006)

1. Diversity of ecosystems

We will properly manage strictly protected areas designated under the Natural Parks Law of the Japanese government and other legislation in a manner stipulated by the law. In other areas, we will ensure continuity of forests by limiting the area of forest harvested, particularly when clear cutting is conducted.

2. Diversity of species

We will work to prevent a decline in the number of species existing in natural forests by refraining from expansive planting projects and other extreme activities involving the replacement of species that would have a major impact on existing ecosystems. We will also give the utmost consideration to the protection of rare flora and fauna in all operations, making reference to the Sumitomo Forestry Red Data Book.

3. Genetic diversity

Genetic variation and the maintenance of populations to support them will become issues in the future. However, analysis is complicated and therefore we will closely watch monitoring activities carried out by government and public institutions and their findings.

Red Data Book and Riparian Forest Management Manual

Sumitomo Forestry creates a Sumitomo Forestry Red Data Book listing flora and fauna at threat of extinction which may exist in Company-owned forests and distributes it to employees and contractors involved in forest management. By carrying the book with them during operations, personnel can refer to the opinions of specialists when they come across flora and fauna included in the book and take action. While using the latest version of this book today, we will continually advance measures focused on biodiversity and update the content of the text as necessary.



Sumitomo Forestry Red Data Book

The Company has also created the Riparian Forest Management Manual to ensure the appropriate management and preservation of areas around bodies of water that are rich in biodiversity.

Monitoring Surveys for Mammal and Avian Species

Sumitomo Forestry monitors mammal and avian species inhabiting Company-owned forests. Every year, surveys are conducted in one of four areas— Mombetsu (Hokkaido), Niihama (Shikoku), Hyuga (Kyushu) and Hyogo/Mie (Honshu). Data for each area is therefore accumulated in four-year cycles. This is used to create basic reference materials relating to biodiversity and to ascertain the impact of forestry on the surrounding environment over the long-term.

Monitoring surveys conducted nine times up until now have clearly shown diverse life being maintained through the production of a habitat environment and a change in the number of mammals and birds during the gradual transition from a clear-cut area to forest.

While a number of species decline temporarily, the clear-cut areas have been shown to distribute places suitable for umbrella species such as hawks and land appropriate for hunting in a mosaic shape in addition to realizing a favorable environment for life such as the species above to thrive.

In the future, we will strive to develop operational methods and monitoring techniques able to properly sustain functions such as environmental protection and maintaining biodiversity in company-owned forests.

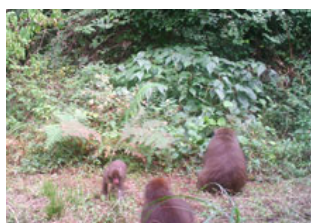
Species of mammals and birds confirmed by past surveys

	Managed Area (ha)		Verified mammal and avian species								
			2008	2009	2010	2011	2012	2013	2014	2015	2016
Company- owned forests in Shikoku	14,783	Mammals	14				11				10
		Birds	31				34				24
Company- owned forests in Kyushu	9,182	Mammals		11				12			
		Birds		33				29			
Company- owned forests in Hokkaido	18,199	Mammals			10				9		
		Birds			38				40		
Company- owned forests in Honshu *2013 acquisitions in Okayama, Hyogo, and Mie *2015 additional acquisitions in Wakayama	4,280	Mammals				12				(Wakayama) 10 (Hyogo) 6	
		Birds				25				(Wakayama) 29 (Hyogo) 21	
Total	46,444										

* Conducted in two areas in 2015; Wakayama and Hyogo



Japanese deer confirmed in Niihama (Shikoku) forests in 2016



Japanese monkeys confirmed in Niihama (Shikoku) forests in 2016

Biodiversity Conservation in Plantation Forests Overseas

Indonesia has the third largest area of rainforest in the world, however, it is said that around 700,000 hectares of forest are lost each year due to such factors as illegal logging and forest fires. We run a large-scale industrial tree plantation in West Kalimantan, Indonesia, have formulated appropriate land-use plans based on a scientific standpoint for the purpose of finding harmony between biodiversity and economy. In particular, we device business areas into protection zones and reforestation zones and reduce the impact on protection zones by setting a buffer zones between the protection and plantation zones for indigenous trees to grow.

Protection zones with a high rarity value are properly managed through patrols and periodic survey activities because various environmental functions are at work from the water cultivation functions as well as areas where rare types of animals live to genetic resource preservation functions. In addition, long-nosed monkeys endangered due to poaching are known to like to live along rivers. The conventional 50 to 100 meter protected area along the banks of rivers had been expanded up to a maximum of 500 meters based on scientific information. Furthermore, establishing a route between the mangrove forest where the long-nosed monkeys live and the designated protective forest contributes to expanding the habitat for the long-nosed monkeys. We regularly conduct surveys of rare wildlife for protection zones by inviting in experts and will reflect these results in management and protection in the future.

We strive in efforts to conserve biodiversity via a new landscape management approach by cooperating with local NGOs and local companies because ecosystems are expanding beyond boundaries of business zones stipulated by government agencies.

Efficient Use of Water Resources

Reduction of Water Consumption in Business Activities

Around the world, there is a growing sense of crisis over water shortages. It is expected that this problem will become more and more urgent as the demand for water rises with population increase and economic growth in developing countries.

The primary businesses of the Sumitomo Forestry Group include the Timber & Building Materials Businesses and Custom-Built Detached Housing Businesses, which do not have a business model that uses large amount of water. However, our businesses are expanding into sectors that do use water as a valuable resource. Our policy is to reduce water consumption with emphasis on these businesses while conducting risk assessments and examining countermeasures for problems that arise.

In addition to manufacturing plants in Japan and overseas, since fiscal 2012, the Sumitomo Forestry Group began examining the water consumption and the associated sources at bases where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group. In fiscal 2017, we discovered 91.8% of water use is at eight group companies which make up 7.2% of the consolidated net sales by analyzing the water use of all Group companies in fiscal 2016. Therefore, we have positioned eight companies as priority targets and conducted risk assessments for water use at five companies in Japan as well as brought together specific measures to address any cases of insufficient water. We also has begun to grasp the actual state of water use even at three overseas companies.

The target for water use in fiscal 2017 for the entire Group in Japan was a 1.19% reduction, but the results showed the year ended with a 0.1% reduction (excluding the impact of increases due to new businesses). In fiscal 2018, the Sumitomo Forestry Group will set and strive toward a target of 2.50% reduction in all Group companies in Japan, excluding the biomass power generation businesses that have just been launched. In addition, most of the factors for the increase in fiscal 2016 and fiscal 2017 in our plants in Japan and other power generation businesses were due to the new operation of two biomass power generation plants and the purchase of new businesses.

Sumitomo Forestry conducted a sample survey of water used by partner companies at on-site construction of houses in fiscal 2015 to grasp the water consumption in the supply chain and found the volume of water used per 1 m² of floor area is approximately 0.0887 m³.

Water Consumption trends of the Sumitomo Forestry Group Companies^{*1}

	Office Departments in Japan, etc. (Unit: m ³)			Plants and Power Generation Business Departments in Japan (Unit: m ³)			Overseas Plants (Unit: m ³)	Total (Unit: m ³)
	FY 2015	FY 2016	FY 2017	FY 2015	FY 2016	FY 2017	FY 2017	FY 2017
Service water	170,117	80,052	72,622	17,612	114,028	1,258,275	460,026	1,790,923
Ground water	3,438	0 ^{*2}	0	124	0 ^{*2}	9,688	174,966	184,654
Industrial water	120,306	131,206	119,236	166,444	717,998	262,781	296,613	678,630
Total	293,861	211,258	191,858	184,180	832,026 ^{*3}	1,530,744 ^{*3}	931,605	2,654,207

*1 Covers sites where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group.

*2 Ground water up to fiscal 2015 includes water purchased from the water authorities as a ground water source. Since fiscal 2016, water purchased from the water authorities is all included as service water based on standard disclosure.

*3 A portion of the industrial water for fiscal 2016 was calculated as public water in fiscal 2017 due to a revision in the data collection category.

▶  [About symbol for Independent assurance](#)

Efforts at Sumitomo Forestry Crest

Sumitomo Forestry Crest's Imari Plant manufactures synthetic resin adhesives and other products. It primarily promotes three measures for reducing water usage. First, it uses industrial water to cool manufacturing equipment. Then, it reuses the water to dilute plant effluent.



Measuring the COD of
effluent

Measures Used at the Sumitomo Forestry Crest's Imari Plant for Saving Water

1. Collect some of the water used for washing equipment, and reuse it as a raw material.
2. Improve the proportion of rainwater used, such as by upgrading the pumps used for collecting rainwater.
3. Maintain water-quality control by measuring COD* and treat wastewater using only the minimum amount of water necessary.

* Chemical Oxygen Demand (COD): An indication of the amount of oxygen required to oxidize an organic compound in water; one of the most important indicators of water quality.

Participation in Relevant Incentives

The Sumitomo Forestry Group provides answers to the CDP Water questions and discloses more detailed information about efforts on risks related to water since fiscal 2017.

Environmental Related Data

Environmental Data of Group Companies in Japan

The Sumitomo Forestry Group reports information about its environmental impact of each company and each plant for domestic manufacturers and power plants that have a large influence on the environment.

Sumitomo Forestry Crest Co., Ltd.

Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Energy Input (GJ)	28,923	25,417	26,528	15,372	96,241
Raw Material Input (t)	10,494	32,123	5,520	7,765	55,902
Water Resource Use (m ³)					
Service Water	3,496	4,954	10,038	118	18,606
Main Water Source	Lakes - Lake Kitaura in Kasumigaura (Protected region: A portion is part of Suigo-Tsukuba Quasi-National Park)	Groundwater - Oi River Basin	-	Reservoirs	-
Industrial water	0	0	0	201,990	201,990
Main Water Source	-	-	Groundwater (water authority in Niihama City)	River - Arita-gawa River basin (partly Mt. Kurokami - mammal and avian species wildlife refuge)	-

Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Greenhouse gas emissions (t-CO ₂)					
Carbon dioxide (CO ₂)	1,375	976	1,717	873	4,941
Methane (CH ₄)*	0.31	4.06	4.26	-	8.6
Dinitrogen oxide (N ₂ O)*	0.03	0.38	0.40	-	0.8
Waste generations (t)	2,243	1,954	924	347	5,468
Water discharge (m ³)					
Sewerage	2,346	0	10,038	0	12,384
Ocean	0	0	0	191,293	191,293
Rivers	0	4,954	0	0	4,954
Lakes	0	0	0	0	0
Emissions to the air (kg)					
Sulfur oxide (SOx)	-	-	453	1,829	2,282
Nitrogen oxide (NOx)	-	-	479	-	479
Soot and dust	-	-	585	-	585

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Sumirin Agro-Products Co., Ltd. (Current: Sumitomo Forestry Landscaping Co., Ltd.)

Item (unit)	Shinshiro Plant	Tobishima Plant	Subtotal
Energy Input (GJ)	2,312	5,932	8,244
Raw Material Input (t)	14,393	5,858	20,251
Water discharge (m ³)			
Service Water	1,084	552	1,636
Main Water Source	River - Kiso-gawa River Basin	River - Toyokawa Prefectural Water System	-
Industrial water	0	0	0
Main Water Source	-	Well water	-
Greenhouse gas emissions (t-CO ₂)			
Carbon dioxide (CO ₂)	136	375	511
Methane (CH ₄)*	-	-	-
Dinitrogen oxide (N ₂ O)*	-	-	-
Waste generations (t)	24	15	39
Water discharge (m ³)			
Sewerage	0	0	0
Ocean	0	0	0
Rivers	1,084	552	1,636
Lakes	0	0	0
Emissions to the air (kg)			
Sulfur oxide (SOx)	-	576	576
Nitrogen oxide (NOx)	-	37	37
Soot and dust	-	0	-

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Power Plants

Item (unit)	Mombetsu Biomass Power Generation	Hachinohe Biomass Power Generation	Okhotsk Bio Energy Co. Ltd.	Japan Bio Energy Co., Ltd.	Michinoku Bio Energy Co., Ltd.	Subtotal
Energy Input (GJ)	5,298,986	226,467	15,816	9,348	1,480	5,552,097
Raw Material Input (t)	4,152	17	126,582	55,902	8,127	194,780
Water discharge (m ³)						
Service Water	1,019,843	2,994	254	6,651	52	1,029,794
Main Water Source	Shokotsu River System	Mount Haku Water System Service Reserve	Shokotsu River System	Lake Sagami, Sagami River System, and Miyagase Dam	Mount Haku Water System Service Reserve	-
Industrial water	0	60,791	0	0	0	60,791
Main Water Source	-	Mabechi River	-	-	-	-
Greenhouse gas emissions (t-CO ₂)						
Carbon dioxide (CO ₂)	105,147	1,140	1,055	203	123,385	107,644
Methane (CH ₄)*	5,659	339	-	-	-	5,998
Dinitrogen oxide (N ₂ O)*	84,818	3,317	-	-	-	88,135
Waste generations (t)	13,309	217	14	593	-	14,133
Water discharge (m ³)						
Sewerage	410,003	-	202	-	-	410,205
Ocean	-	18,192	-	-	-	18,192
Rivers	-	-	-	-	-	-
Lakes	-	-	-	-	-	-
Emissions to the air (kg)						
Sulfur oxide (SOx)	182,881	1,220	-	-	-	184,101
Nitrogen oxide (NOx)	262,090	5,482	-	-	-	267,572
Soot and dust	3,078	-	-	-	-	3,078

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Total for All Plants in Japan

Item (unit)	Total
Energy Input (GJ)	5,656,582
Raw Material Input (t)	270,932
Water discharge (m ³)	
Service Water	1,050,036
Main Water Source	As indicated above
Industrial water	262,781
Main Water Source	As indicated above
Greenhouse gas emissions (t-CO ₂)	
Carbon dioxide (CO ₂)	113,096
Methane (CH ₄)*	6,006
Dinitrogen oxide (N ₂ O)*	88,136
Waste generations (t)	24,864
Water discharge (m ³)	
Sewerage	422,589
Ocean	209,485
Rivers	6,590
Lakes	0
Emissions to the air (kg)	
Sulfur oxide (SO _x)	186,960
Nitrogen oxide (NO _x)	268,087
Soot and dust	3,717

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Environmental Data of Group Companies Overseas

The Sumitomo Forestry Group reports information about its environmental impact for each plant for overseas manufacturers that have a large influence on the environment.

Overseas Manufacturers 1/2

Item (unit)	PT. Rimba Partikel Indonesia (RPI)	PT. AST Indonesia (ASTI)	PT. Kutai Timber Indonesia (KTI)
Energy Input (GJ)	523,293	81,549	874,957
Raw Material Input (t)	99,851	83,992	537,248
Water discharge (m ³)			
Service Water	-	582	-
Industrial water	-	32,773	263,840
Ground water	48,854	-	126,112
Greenhouse gas emissions (t-CO ₂)			
Carbon dioxide (CO ₂)	19,062	5,972	47,772
Methane (CH ₄)*	467	-	374
Dinitrogen oxide (N ₂ O)*	44	-	35
Waste generations (t)	22,526	4,302	32,769
Water discharge (m ³)			
Sewerage	0	34,700	0
Ocean	0	0	8,140
Rivers	50,085	0	0

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Overseas Manufacturers 2/2

Item (unit)	Nelson Pine Industries Ltd. (NPIL)	Vina Eco Board Co., Ltd. (VECO)	Canyon Creek Cabinet Company (CC)	Total
Energy Input (GJ)	1,782,874	384,163	69,553	3,716,389
Raw Material Input (t)	771,897	183,636	2,052	1,678,677
Water discharge (m ³)				
Service Water	378,431	81,013	-	460,026
Industrial water	-	-	-	296,613
Ground water	-	-	-	174,966
Greenhouse gas emissions (t-CO ₂)				
Carbon dioxide (CO ₂)	13,287	16,075	3,407	105,576
Methane (CH ₄)*	1,426	103	-	2,372
Dinitrogen oxide (N ₂ O)*	133	10	-	222
Waste generations (t)	117,698	22,010	-	199,307
Water discharge (m ³)				
Sewerage	366,554	23,650	3,280	428,184
Ocean	0	0	0	8,140
Rivers	0	0	0	50,085

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Environmental Accounting Results for Fiscal 2017

Sumitomo Forestry publicizes aggregated data of environmental protection costs and effects and also economic impact of its activities for the purpose of promoting environmentally sound management.

* The basis of calculation includes Sumitomo Forestry on a non-consolidated basis and certain Group companies

Environmental Protection Costs

Cost Category		Main Activities	Total Cost (Million yen)
Costs within operational area	Global environmental protection costs ^{*1}	Sustainable forestry cultivation	632
		Environment-related business (Overseas consulting, REDD+ business, etc.)	144
		Carbon offset	35
	Resource recycling costs ^{*2}	Promotion of appropriate treatment, reduction, and recycling of industrial waste	6,386
		Waste wood chip distribution operations	276
		Recycling Used Activated Carbon, etc.	294
Upstream / Downstream costs ^{*3}		Green purchasing	38
Management activity costs ^{*4}		Operation and promotion of environmental management activities (ISO14001 certification, environmental education, LCA surveys, etc.)	158
		Monitoring of environmental impact	1
		Disclosure and administration of environmental information (CSR Report, environment-related advertising, environment-related exhibitions, etc.)	20
R&D costs ^{*5}		R&D activities related to environmental protection	700
Social contribution costs ^{*6}		Management and operation of Mt. Fuji Manabi no Mori	20
		Management and operation of Forester House	7
		Other social contribution activities	3
		Donations to the Keidanren Nature Conservation Fund	2
Total			8,716

- *1 *1 Global environmental protection costs: Expenditures for preservation and management of Company-owned forests to foster sustainable forestry, expenditures in Japan and overseas relating to the environmental business, and overseas reforestation expenses for implementing carbon offset.
- *2 Resource recycling costs: Expenditures on waste wood distribution operations and sorting, recycling, appropriate treatment, transportation and management of construction waste, as well as costs incurred in the recycling of used activated carbon, etc.
- *3 Upstream/Downstream costs: Expenditures for green purchasing.
- *4 Management activity costs: Office expenses and auditing costs relating to maintenance of ISO 14001 certification; expenditures relating to disclosure of environmental information through advertising, environment-related exhibitions and the CSR Reports; expenditures relating to lectures on environmental education; costs for life cycle assessment inspections; and monitoring environmental impact.
- *5 R&D costs: Expenditures for environment-related research conducted at the Tsukuba Research Institute.
- *6 Social contribution costs: Expenditures related to operating the Mt. Fuji Manabi no Mori natural forest restoration project, and maintaining and operating Forester House; expenditures related to other social contribution activities; donations to the Keidanren Nature Conservation Fund; and provision of financial assistance to the Keidanren Nature Conservation Fund commissioned by the Keidanren Committee on Nature Conservation.

▶ [Link to the Keidanren Committee on Nature Conservation](#)

Environmental Benefits

Category	Effects	Benefits
Benefits from costs within operational area	Volume of recycled waste wood from distribution operations (converted into chip equivalents)	1,154 thousand m ³
	Volume sold of potting mix using recycled sediment from water purification	15kt
Benefits from Upstream/Downstream costs	Green procurement ratio	69.5%
Benefits from management activity costs	Employees designated as internal environmental auditors	334

Category	Effects	Benefits
Benefits from R&D costs	Success in cultivating Senhime clone cherry blossom seedlings of Choukouzan Shoutai-ji Temple weeping cherry blossoms Contributions to urban development and preservation of culture by protecting and cultivation of heritage trees invaluable to the traditions of each region	-
	Biodiversity-friendly Forest Garden Hadano First ABINC certification for detached housing estates	-
	To Foster More Efficient Reforestation Operations Sumitomo Forestry has furthered the development of the TABITO-03 power assist suit for forestry prototype exhibited at the International Robot Exhibition 2017 which aims for practical adoption by 2025.	-
	Started operations of the Tomakomai Biomass Power Generation Plant Supplied electricity equivalent to roughly 10,000 households via local unused wood materials	-
	Started operations of the Hachinohe Biomass Electric Power Co., Ltd. Supplied electricity equivalent to electricity to roughly 27,000 households via local unused forest materials	-
	Launched FRD roadway design support software Supported more efficient development of better roadways to contribute to the revitalization of the forest industry	-
Benefits of social contribution costs	Volunteers who participated in Mt. Fuji Manabi no Mori project	359
	Children participating in the Environmental Education Program at Mt. Fuji Manabi no Mori project	1,003
	Visitors to Forester House	2,515
	Sumitomo Forestry Group CSR Report 2017 Presented the Excellence Award for Biodiversity Reporting at the 21st Environmental Communication Awards	-
	Sponsored and exhibited at the Marunouchi Kids Jamboree 2017 to communicate the brilliance of wood to children	-

Corporate Profile

Corporate Profile

Company Name	Sumitomo Forestry Co., Ltd.
Address of Headquarters	Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
Paid-in Capital	¥32,672 million (as of March 31, 2018)
Incorporated	February 20, 1948
Founded	1691
Number of Employees	Non-consolidated: 4,693; Consolidated: 18,195 (as of March 31, 2018)
Business scope	<p>Environment and Resources Business Management of forests; development of new forestry and environment-related business; management of biomass power generation business and other environmental energy business, as well as plantation forest operations overseas; consulting on the reduction of greenhouse gas emissions in Japan and overseas</p> <p>Timber & Building Materials Businesses Purchase, manufacture, secondary processing and sales of timber (logs, wood chips, processed timber, engineered wood, etc.) and building materials (plywood, fiberboard, processed wood materials, concrete and ceramic building materials, metal building materials, housing systems and fixtures, etc.)</p> <p>Overseas Business Manufacture and sales of timber and building materials; contract construction and sales of detached houses, etc. overseas.</p> <p>Housing Businesses Contract construction, after-sales maintenance and renovation of detached houses and multi-unit residences; sales of spec homes; sales of interior products; rental, management, sales, and brokerage of property; contract work for housing exteriors, garden landscaping and urban greening; CAD work and site surveys, etc.</p> <p>Lifestyle Services Operation of private-pay elderly care facilities; equipment leasing; insurance agency; manufacture and sales of gardening products; development of information systems; temporary staffing, etc.</p>
Company-owned forest	47,977 ha (As of March 31, 2018)

Key Financial Data

Consolidated Net Sales, Operating Income, Recurring Income and Net Income

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Net Sales (Billions of yen)	973.0	997.3	1,040.5	1,113.4	1,222.0
Operating Income (Billions of yen)	33.4 (3.4%)	34.0 (3.4%)	30.1 (2.9%)	54.0 (4.8%)	53.0 (4.3%)
Recurring Income (Billions of yen)	33.6 (3.4%)	36.4 (3.7%)	30.5 (2.9%)	57.8 (5.2%)	57.9 (4.7%)
Net Income (Billions of yen)	22.5 (2.3%)	18.6 (1.9%)	9.7 (0.9%)	34.5 (3.1%)	30.1 (2.5%)

* Percentages indicate the ratio to net sales

Consolidated Net Sales and Ratio of Net Sales by Segment (FY2017)

	Timber & Building Materials Businesses	Housing Businesses	Overseas Businesses	Other Businesses
Net Sales (Billions of yen)	435.5	449.2	352.9	37.0
Ratio of Net Sales (%)	34.2%	35.2%	27.7%	2.9%

*1 Percentages indicate the ratio to net sales

*2 The net sales of each segment include the internal net sales between segments and transfers. Therefore, the total net sales of each segment do not match the consolidated net sales (1,222 billion yen)

► [Performance Highlights \(Link to IR Information\)](#)

Editorial Policy

Editorial Policy

The CSR Report is an important tool for communicating with all stakeholders, and as such, The Sumitomo Forestry Group publishes the report every year on its website.

On the website of fiscal 2018 edition, we have added "Overall Business and Scope of Impact", "CSR Activity Highlights," "CSR Management," "Management System," "Social Report," and "Environmental Report" sections, each of which contains basic concepts and policies to tangible actions the Group has taken.

We have also published a booklet focusing on the CSR Activity Highlights in addition to the website for the readers to utilize depending on their interest.

We appreciate your feedback on our wide range of CSR activities.

► [Sumitomo Forestry CSR Report Questionnaire](#)

Boundary of the Report:

The scope of this report is Sumitomo Forestry, its affiliated companies, and some affiliated companies accounted for by the equity-method.

* In this report, Sumitomo Forestry refers to Sumitomo Forestry Co., Ltd. and the Sumitomo Forestry Group includes affiliated companies in Japan and overseas as well as some affiliated companies accounted for by the equity-method

► [List of Sumitomo Forestry Group Companies](#)

Published: Japanese Version: July 2018; English Version: November 2018

Reporting Period:

Japan: April 2017 to March 2018


Overseas: January 2017 to December 2017

* The period also includes some activities from April 2018 as well as future expectations

Reference Guidelines:

Environmental Reporting Guidelines (2012 Edition), Japanese Ministry of the Environment / ISO 26000:2010 Guidance on Social Responsibility. This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines: GRI Standards (2016), Global Reporting Initiative (GRI)

Reliability of Report Content

The environmental and social performance indicators in the report have been assured by KPMG AZSA Sustainability Co., Ltd. with the third-party assurance mark symbol  for Independent assurance.

Furthermore, the respective departments of the Sumitomo Forestry Group have endeavored to ensure accuracy by using appropriate measurements and data collection methods for the initiatives and results reported in the CSR Report. These methods are also disclosed when relevant.

External Recognition

Socially Responsible Investment (SRI) Indices

Interest in Social Responsible Investment (SRI) that considers environment and social contribution on top of financial aspects are on the rise in recent years when making investments. Sumitomo Forestry Group has been included in the following Socially Responsible Investment (SRI) and ESG Indices as of September 2018.

DJSI (Dow Jones Sustainability Indices)

The most trusted index for companies' environmental and sustainability index developed by Dow Jones & Company in 1999. The index surveys 2,500 companies included in the Dow Jones Global Index around the world on their economic, environmental, and societal aspects. Sumitomo Forestry was selected as component of Industry Leaders and DJSI Asia Pacific in September 2018.



FTSE4Good Global Index

Evaluation of companies that fulfill international standards in environment, social, and governance aspects by FTSE Russell, a group company of London Stock Exchange. Sumitomo Forestry has been consecutively included in the FTSE4Good Global Index every year since 2004.



Morningstar Socially Responsible Investment Index (MS-SRI)

Investment index for Japanese companies co-developed by Morningstar Japan K.K. and Public Resources Foundation. 150 companies are listed among 4,000 listed companies in Japan as leading socially responsible company. Sumitomo Forestry has been consecutively included in the Morningstar Socially Responsible Investment Index (MS-SRI) since 2008.



FTSE Blossom Japan Index

An ESG index for Japanese stocks by FTSE Russell, Ltd. and selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017.



FTSE Blossom
Japan

MSCI Japan ESG Select Leaders Index

Index for Japanese stocks selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017. With Free float-adjusted market capitalization weighted index based on the MSCI Japan IMI Top 500 Index of MSCI, Inc. as a parent index, it represents relative sector weights of companies that excel in ESG.



2018 Constituent
MSCI Japan ESG
Select Leaders Index

MSCI Japan Empowering Women Index (WIN)

Index for Japanese stocks selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017. With MSCI Japan IMI Top 500 Index as a parent index, it represents weights of companies that excel in gender diversity in the sector.



2018 Constituent
MSCI Japan Empowering
Women Index (WIN)

* The inclusion of Sumitomo Forestry in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Sumitomo Forestry by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.




SNAM Sustainability Index



ESG evaluation by Sompo Japan Nipponkoa Asset Management Co., Ltd. (SNAM). Evaluated based on environmental survey by Sompo Risk Management & Health Care Inc. and social and governance survey by IntegreX Inc. Sumitomo Forestry has been consecutively included in the SNAM Sustainability Index since fiscal 2013.



Member of SNAM
Sustainability Index
2018

Awards and Recognition by Third Parties in Fiscal 2017

Date	Award/ Organizer	Recognition	Scope of Recognition
May 2017	Ministry of Environment, Environmental Consortium for Leadership Development (EcoLeaD)	Received Promotion Award for the “Environmental Leadership development” that Evaluate Employee Education ▶ News Release (In Japanese)	Sumitomo Forestry
July 2017	Urban Renaissance Agency	Awarded as Excellent Constructor from the Urban Renaissance Agency for Construction of Public Housing for Disaster Victims (7th housing) in the Higashiyamoto Station North Area in Higashimatsushima City ▶ News Release (In Japanese)	Sumitomo Forestry
August 2017	Texas Association of Builders	Gehan Homes Received Volume Builder of the Year – High Volume at the 2017 Star Awards ▶ News Release (In Japanese)	Gehan Homes, Ltd.
August 2017	Kids Design Association	The Kids Design Award Presented to Sumitomo Forestry Crest Co., Ltd. for Tadaima Storage Series, Storage Proposal Product Targeting at Households Raising Children at the 11th Kids Design Award 	Sumitomo Forestry Crest Co., Ltd.
October 2017	CDP Climate Change 2017	Achieves Highest Rating for Two Consecutive Years Making the CDP 2017 Climate A List  ▶ News Release	Sumitomo Forestry
September 2017	oricon ME	Ranked 1st Place in Oricon Japan Customer Satisfaction Ranking in the Real Estate Brokerage, Sales, and Condominium Category for Two Consecutive Years 	Sumitomo Forestry Home Service Co., Ltd.

Date	Award/ Organizer	Recognition	Scope of Recognition
October 2017	Japan Institute of Design Promotion	Received Good Design Awards for Appeal of Trees, Technology to Realize Safe and Reliable Housing, and Spatial Design Proposal  GOOD DESIGN AWARD 2017	Sumitomo Forestry
November 2017	Japan Vocational Ability Development Association (JAVADA)	Received Award from the Chairman of JAVADA for Long-term Contribution to Ability Development Activities	Sumitomo Forestry School of Professional Building Techniques
November 2017	Japan Vocational Ability Development Association (JAVADA)	Wins the Bronze Medal and the Fighting Spirit Award in the Carpentry Category at the 55th National Skills Competition	Sumitomo Forestry School of Professional Building Techniques
February 2018	RobecoSAM Sustainability Award 2018 RobecoSAM	Recognized by RobecoSAM for Excellence in Sustainability Performance "Bronze Class" in the Homebuilding Industry Category for Third Consecutive Year  ROBECOSAM Sustainability Award Bronze Class 2018 ▶ News Release (In Japanese)	Sumitomo Forestry
February 2018	21st Environmental Communication Awards Ministry of the Environment/Global Environmental Forum	Sumitomo Forestry Group CSR Report 2017 Awarded the Biodiversity Reporting Special Award at the 21st Environmental Communication Awards) ▶ News Release (In Japanese)	Sumitomo Forestry
February 2018	2018 Certified Health and Productivity Management Organization Ministry of Economy, Trade and Industry/Nippon Kenko Kaigi	Selected as a "2018 Certified Health and Productivity Management Organization" ▶ News Release (In Japanese)	Sumitomo Forestry

GRI Guideline Content Index

This report contains GRI Standards.

► [GRI Standards Index](#)

Independent Assurance Report

► [Independent Assurance Report](#) 

GRI Content Index (GRI Standards)

GRI Content Index (GRI Standards)

Sumitomo Forestry's CSR Report refers to GRI Standards.

Below Content Index includes related information available on CSR Report.

Disclosures		ISO26000 Disclosure	Location
Organizational profile			
102-1	a. Name of the organization		► Corporate Profile
102-2	a. A description of the organization's activities b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets		► Corporate Profile ► Our Business ► List of Services
102-3	a. Location of the organization's headquarters		► Corporate Profile
102-4	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report		► Sumitomo Forestry Group
102-5	a. Nature of ownership and legal form		► Corporate Profile
102-6	a. Markets served		► Corporate Profile ► Sumitomo Forestry Group

Disclosures		ISO26000 Disclosure	Location
102-7	a. Scale of the organization		<ul style="list-style-type: none"> ▶ Corporate Profile ▶ Performance Highlights
102-8	a. Total number of employees by employment contract (permanent and temporary), by gender b. Total number of employees by employment contract (permanent and temporary), by region c. Total number of employees by employment type (full-time and part-time), by gender d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries) f. An explanation of how the data have been compiled, including any assumptions made	6.4 6.4.3	<ul style="list-style-type: none"> ▶ Social Data
102-9	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services		<ul style="list-style-type: none"> ▶ Overall Business and Scope of Impact
102-10	a. Significant changes to the organization's size, structure, ownership, or supply chain		<ul style="list-style-type: none"> ▶ Corporate Profile ▶ Performance Highlights
102-11	a. Whether and how the organization applies the Precautionary Principle or approach	6.2	<ul style="list-style-type: none"> ▶ Risk Management ▶ Procurement Initiatives (Housing and Construction Business) ▶ Procurement Initiatives (Distribution Business) ▶ Procurement Initiatives (Manufacturing Facilities) ▶ Procurement Initiatives (Energy Business) ▶ Occupational Health and Safety and Environment on Construction Sites ▶ Occupational Health and Safety Management System ▶ Management of Hazardous Chemical Substances and Appropriate Disposal

Disclosures		ISO26000 Disclosure	Location
102-12	a. List of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	6.2	<ul style="list-style-type: none"> ▶ Corporate Philosophy and CSR Management ▶ Initiatives to Achieve Sustainable Development Goals (SDGs) ▶ Promotion of Social Contribution Activities
102-13	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations	6.2	<ul style="list-style-type: none"> ▶ Promotion of Social Contribution Activities
Strategy			
102-14	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability	6.2	<ul style="list-style-type: none"> ▶ Message from the President
102-15	a. A description of key impacts, risks, and opportunities	6.2	<ul style="list-style-type: none"> ▶ Message from the President ▶ Risk Management ▶ Environmental Risk Management ▶ IR Library
Ethics and Integrity			
102-16	a. A description of the organization's values, principles, standards, and norms of behavior	4.4	<ul style="list-style-type: none"> ▶ Corporate Philosophy and CSR Management
102-17	a. A description of internal and external mechanisms for: <ul style="list-style-type: none"> i. Seeking advice about ethical and lawful behavior, and organizational integrity ii. Reporting concerns about unethical or unlawful behavior, and organizational integrity 		<ul style="list-style-type: none"> ▶ Intellectual Property Management ▶ Compliance
Governance			
102-18	a. Governance structure of the organization, including committees of the highest governance body b. Committees responsible for decision-making on economic, environmental, and social topics		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Environmental Management Structure

Disclosures		ISO26000 Disclosure	Location
102-19	a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Environmental Management Structure ▶ Communication with Employees
102-20	a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topic b. Whether post holders report directly to the highest governance body		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Environmental Management Structure
102-21	a. Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Return to Shareholders and IR Activities ▶ Communication with Employees
102-22	a. Composition of the highest governance body and its committees		<ul style="list-style-type: none"> ▶ Corporate Governance
102-23	a. Whether the chair of the highest governance body is also an executive officer in the organization b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement		<ul style="list-style-type: none"> ▶ Corporate Governance
102-24	a. Nomination and selection processes for the highest governance body and its committees b. Criteria used for nominating and selecting highest governance body members		<ul style="list-style-type: none"> ▶ Corporate Governance
102-25	a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed b. Whether conflicts of interest are disclosed to stakeholders		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Compliance
102-26	a. The highest governance body's and senior executives' roles in the development, approval, and updating of the organizations' purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Environmental Management Structure

Disclosures		ISO26000 Disclosure	Location
102-27	a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics		► Corporate Governance
102-28	a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics b. Whether such evaluation is independent or not, and its frequency c. Whether such evaluation is a self-assessment d. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental		► Corporate Governance
102-29	a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities—including its role in the implementation of due diligence processes b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics, and their impacts, risks, and opportunities	6.2	► Corporate Governance ► Risk Management
102-30	a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics		► Corporate Governance ► Risk Management
102-31	a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	6.2	► Corporate Governance ► Risk Management
102-32	a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered		► Corporate Governance
102-33	a. Process for communicating critical concerns to the highest governance body	6.2	► Corporate Governance ► Risk Management ► Compliance ► Return to Shareholders and IR Activities

Disclosures		ISO26000 Disclosure	Location
102-34	a. Total number and nature of critical concerns that were communicated to the highest governance body b. Mechanism(s) used to address and resolve critical concerns		► Compliance
102-35	a. Remuneration policies for the highest governance body and senior executives b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics	6.2	► Corporate Governance
102-36	a. Process for determining remuneration b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management c. Any other relationships which the remuneration consultants have with the organization		
102-37	a. How stakeholders' views are sought and taken into account regarding remuneration b. If applicable, the results of votes on remuneration policies and proposals	6.2	► Corporate Governance ► Return to Shareholders and IR Activities
102-38	a. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country		
102-39	a. Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country		
Stakeholder Engagement			
102-40	a. A list of stakeholder groups engaged by the organization	6.2	► Stakeholder Engagement
102-41	a. Percentage of total employees covered by collective bargaining agreements		► Social Data

Disclosures		ISO26000 Disclosure	Location
102-42	a. The basis for identifying and selecting stakeholders with whom to engage	6.2	
102-43	a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	6.2 6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	► Stakeholder Engagement
102-44	a. Key topics and concerns that have been raised through stakeholder engagement	6.2	► Stakeholder Engagement
Reporting practice			
102-45	a. A list of all entities included in the organization's consolidated financial statements or equivalent documents b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	6.2	► IR Library
102-46	a. An explanation of the process for defining the report content and the topic Boundaries b. An explanation of how the organization has implemented the Reporting Principles for defining report content		► CSR Material Issues and Mid-Term CSR Management Plan
102-47	a. A list of the material topics identified in the process for defining report content		► CSR Material Issues and Mid-Term CSR Management Plan
102-48	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements		
102-49	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries		► Editorial Policy
102-50	a. Reporting period for the information provided		► Editorial Policy
102-51	a. If applicable, the date of the most recent previous report		► Editorial Policy
102-52	a. Reporting cycle		► Editorial Policy
102-53	a. The contact point for questions regarding the report or its contents		► Inquiries

Disclosures		ISO26000 Disclosure	Location
102-54	a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards		► Editorial Policy
102-55	a. The GRI content index		GRI Content Index
102-56	a. A description of the organization's policy and current practice with regard to seeking external assurance for the report b. If the report has been externally assured:	7.5.3	► Independent Assurance Report
Management Approach			
103-1	a. An explanation of why the topic is material b. The Boundary for the material topic c. Any specific limitation regarding the topic Boundary		► CSR Material Issues and Mid-Term CSR Management Plan ► Material Issue 1 ► Material Issue 2 ► Material Issue 3 ► Material Issue 4 ► Material Issue 5
103-2	a. An explanation of how the organization manages the topic b. A statement of the purpose of the management approach c. A description of the following, if the management approach includes that component: i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives		► Message from the President ► CSR-related Policies ► CSR Material Issues and Mid-Term CSR Management Plan ► Material Issue 1 ► Material Issue 2 ► Material Issue 3 ► Material Issue 4 ► Material Issue 5
103-3	a. An explanation of how the organization evaluates the management approach		► CSR Material Issues and Mid-Term CSR Management Plan ► Material Issue 1 ► Material Issue 2 ► Material Issue 3 ► Material Issue 4 ► Material Issue 5

Disclosures		ISO26000 Disclosure	Location
Economic Performance			
201-1	Direct economic value generated and distributed	6.8.1 6.8.2 6.8.3 6.8.7 6.8.9	▶ Return to Shareholders and IR Activities ▶ Corporate Profile ▶ Financial Results
201-2	Financial implications and other risks and opportunities due to climate change	6.5.5	▶ Environmental Risk Management ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
201-3	Defined benefit plan obligations and other retirement plans	6.8.7	▶ IR Library
201-4	Financial assistance received from government		
Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	6.3.7 6.3.10 6.4.3 6.4.4 6.8.1 6.8.2	
202-2	Proportion of senior management hired from the local community	6.4.3 6.8.1 6.8.2 6.8.5 6.8.7	▶ Fair Employment and Benefits ▶ Social Data
Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	6.3.9 6.8.1 6.8.2 6.8.7 6.8.9	▶ Sustainable Forest Management ▶ Promotion of Social Contribution Activities ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas

Disclosures		ISO26000 Disclosure	Location
203-2	Significant indirect economic impacts	6.3.9 6.6.6 6.6.7 6.7.8 6.8.1 6.8.2 6.8.5 6.8.6 6.8.7 6.8.9	<ul style="list-style-type: none"> ► Risk Management ► Environmental Risk Management
Procurement Practices			
204-1	Proportion of spending on local suppliers	6.4.3 6.6.6 6.8.1 6.8.2 6.8.7	
Anti-corruption			
205-1	Operations assessed for risks related to corruption	6.6.1 6.6.2 6.6.3	► Compliance
205-2	Communication and training about anti-corruption policies and procedures	6.6.1 6.6.2 6.6.3 6.6.6	► Compliance
205-3	Confirmed incidents of corruption and actions taken	6.6.1 6.6.2 6.6.3	► Compliance
Anti-competitive Behavior			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	6.6.1 6.6.2 6.6.5 6.6.7	► Compliance
Materials			
301-1	Materials used by weight or volume	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities
301-2	Recycled input materials used	6.5.1 6.5.2 6.5.4	► Promotion of Waste Reduction and Recycling

Disclosures		ISO26000 Disclosure	Location
301-3	Reclaimed products and their packaging materials	6.5.1 6.5.2 6.5.4	► Promotion of Waste Reduction and Recycling
Energy			
302-1	Energy consumption within the organization	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities ► Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
302-2	Energy consumption outside of the organization	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities ► Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
302-3	Energy intensity	6.5.1 6.5.2 6.5.4	► Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
302-4	Reduction of energy consumption	6.5.1 6.5.2 6.5.4 6.5.5	► Home Building that Contributes to a Sustainable Society ► Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
302-5	Reductions in energy requirements of products and services	6.5.1 6.5.2 6.5.4 6.5.5	► Home Building that Contributes to a Sustainable Society
Water			
303-1	Water withdrawal by source	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities ► Efficient Use of Water Resources ► Environmental Related Data
303-2	Water sources significantly affected by withdrawal of water	6.5.1 6.5.2 6.5.4	► Environmental Related Data

Disclosures		ISO26000 Disclosure	Location
303-3	Water recycled and reused	6.5.1 6.5.2 6.5.4	
Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Policies and Targets for Biodiversity Conservation ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
304-2	Significant impacts of activities, products, and services on biodiversity	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Contributions to Eco Cities Through Greening ▶ Environmental Risk Management ▶ Policies and Targets for Biodiversity Conservation ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
304-3	Habitats protected or restored	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Contributions to Eco Cities Through Greening ▶ Examples of Social Contribution Activities in Japan ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
Emissions			
305-1	Direct (Scope 1) GHG emissions	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

Disclosures		ISO26000 Disclosure	Location
305-2	Energy indirect (Scope 2) GHG emissions	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-3	Other indirect (Scope 3) GHG emissions	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-4	GHG emissions intensity	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-5	Reduction of GHG emissions	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> ▶ Home Building that Contributes to a Sustainable Society ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-6	Emissions of ozone-depleting substances (ODS)	6.5.1 6.5.2 6.5.3 6.5.5	<ul style="list-style-type: none"> ▶ Environmental Risk Management
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	6.5.1 6.5.2 6.5.3	<ul style="list-style-type: none"> ▶ Management of Hazardous Chemical Substances and Appropriate Disposal ▶ Environmental Related Data
Effluents and Waste			
306-1	Water discharge by quality and destination	6.5.1 6.5.2 6.5.3	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities
306-2	Waste by type and disposal method	6.5 6.5.3	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Promotion of Waste Reduction and Recycling

Disclosures		ISO26000 Disclosure	Location
306-3	Significant spills	6.5.1 6.5.2 6.5.3	► Environmental Risk Management
306-4	Transport of hazardous waste	6.5.1 6.5.2 6.5.3	
306-5	Water bodies affected by water discharges and/or runoff	6.5.1 6.5.2 6.5.3 6.5.4 6.5.6	
Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	6.5.1 6.5.2 4.6	► Environmental Risk Management
Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	
308-2	Negative environmental impacts in the supply chain and actions taken	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	► Procurement Initiatives (Housing and Construction Business) ► Procurement Initiatives (Distribution Business) ► Procurement Initiatives (Manufacturing Facilities)
Employment			
401-1	New employee hires and employee turnover	6.4.1 6.4.2 6.4.3	► Social Data
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4.1 6.4.2 6.4.4 6.8.7	
401-3	Parental leave	6.4.1 6.4.2 6.4.4	► Social Data

Disclosures		ISO26000 Disclosure	Location
Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	6.4.1 6.4.2 6.4.3 6.4.5	
Occupational Health and Safety			
403-1	Workers representation in formal joint management-worker health and safety committees	6.4.1 6.4.2 6.4.6	► Communication with Employees ► Social Data
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	6.4.1 6.4.2 6.4.6 6.8.8	► Occupational Health and Safety Management System ► Social Data
403-3	Workers with high incidence or high risk of diseases related to their occupation	6.4.1 6.4.2 6.4.6 6.8 6.8.3 6.8.4 6.8.8	► Occupational Health and Safety Management System
403-4	Health and safety topics covered in formal agreements with trade unions	6.4.1 6.4.2 6.4.6	► Communication with Employees
Training and Education			
404-1	Average hours of training per year per employee	6.4.1 6.4.2 6.4.7	► Human Resources Development ► Social Data
404-2	Programs for upgrading employee skills and transition assistance programs	6.4.1 6.4.2 6.4.7 6.8.5	► Human Resources Development
404-3	Percentage of employees receiving regular performance and career development reviews	6.4.1 6.4.2 6.4.7	► Human Resources Development

Disclosures		ISO26000 Disclosure	Location
Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	6.2.3 6.3.7 6.3.10 6.4.1	▶ Corporate Governance ▶ Social Data
405-2	Ratio of basic salary and remuneration of women to men	6.3.7 6.3.10 6.4.1 6.4.2 6.4.3 6.4.4	
Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	4.8 6.3.1 6.3.2 6.3.6 6.3.7 6.3.10 6.4.3	
Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.5 6.6.6	
Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 6.6.6 6.8.4	▶ Procurement Initiatives (Housing and Construction Business) ▶ Procurement Initiatives (Distribution Business) ▶ Procurement Initiatives (Manufacturing Facilities) ▶ Human Rights Initiatives

Disclosures		ISO26000 Disclosure	Location
Forced or Compulsory Labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.10 6.6.6	▶ Procurement Initiatives (Housing and Construction Business) ▶ Procurement Initiatives (Distribution Business) ▶ Procurement Initiatives (Manufacturing Facilities) ▶ Human Rights Initiatives
Security Practices			
410-1	Security personnel trained in human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.4 6.3.5 6.6.6	
Rights of Indigenous Peoples			
411-1	Incidents of violations involving rights of indigenous peoples	4.8 6.3.1 6.3.2 6.3.4 6.3.6 6.3.7 6.3.8 6.6.7 6.8.3	
Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impact assessments	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5	▶ Human Rights Initiatives
412-2	Employee training on human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.5	▶ Human Rights Initiatives

Disclosures		ISO26000 Disclosure	Location
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	4.8 6.3.1 6.3.2 6.3.3 6.3.5 6.6.6	
Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	6.3.9 6.5.1 6.5.2 6.5.3 6.8	<ul style="list-style-type: none"> ▶ Protecting and Utilizing Domestic Forest Resources ▶ Utilization of Overseas Plantation ▶ Examples of Social Contribution Activities in Japan ▶ Examples of Overseas Community Development and Regional Contribution Activities
413-2	Operations with significant actual and potential negative impacts on local communities	6.3.9 6.5.3 6.8	
Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	
414-2	Negative social impacts in the supply chain and actions taken	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	<ul style="list-style-type: none"> ▶ Procurement Initiatives (Housing and Construction Business) ▶ Procurement Initiatives (Distribution Business) ▶ Procurement Initiatives (Manufacturing Facilities)
Public Policy			
415-1	Political contributions	6.6.1 6.6.2 6.6.4	


Disclosures		ISO26000 Disclosure	Location
Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	<ul style="list-style-type: none"> ► Safety and Quality Control (Housing and Construction Business) ► Product Safety and Quality Control (Manufacturing Facilities)
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	4.6 6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	
Marketing and Labeling			
417-1	Requirements for product and service information and labeling	6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	<ul style="list-style-type: none"> ► Product Liability
417-2	Incidents of non-compliance concerning product and service information and labeling	4.6 6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	
417-3	Incidents of non-compliance concerning marketing communications	4.6 6.7.1 6.7.2 6.7.3	
Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.7.1 6.7.2 6.7.7	<ul style="list-style-type: none"> ► Product Liability ► Safety and Quality Control (Housing and Construction Business) ► MOCCA (Timber Solutions) Business

Disclosures		ISO26000 Disclosure	Location
Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	4.6 6.7.1 6.7.2 6.7.6	



Independent Assurance Report

To the President and Representative Director of Sumitomo Forestry Co., Ltd

We were engaged by Sumitomo Forestry Co., Ltd (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with  for the period from April 1, 2017 to March 31, 2018 (the “Indicators”) included in its CSR Report 2018 (the “Report”) for the fiscal year ended March 31, 2018.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting Nelson Pine Industries Limited selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

November 15, 2018